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THE WAY OUT:

A SOLUTION OF OUR PRESENT
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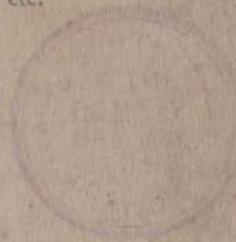
by

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Author of

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**THE WAY OUT:
A SOLUTION OF OUR PRESENT
ECONOMIC AND SOCIAL ILLS**

PREFACE

WHEN the Spanish novelist, Blasco Ibañez, visited Southern California some ten years ago, he was curious about one aspect of our civilization. I happened to use the phrase, familiar in our newspapers, "millionaire Socialist"; whereupon the visitor pricked up his ears. "What is that?" When I assured him that there were in our country persons who were millionaires and at the same time active Socialists, he found it difficult to believe me; so difficult that at last I said: "Would it interest you to attend a dinner-party at which all the guests shall be millionaire Socialists?" He accepted, and the party took place, and the novelist, eager for "local color", put each of the guests through an interrogation as to both their ideas and their worldly goods.

One of those at the party was the father of Perry. I won't give his name; suffice it to say that he is the founder of a great industrial establishment in New England, having branches in every city in our country. If you know the name Rockefeller, Ford, Armour, Pullman, Carnegie, you would know also the name of this concern. The old gentleman in his later years moved out to Southern California, took up the study of social problems, read some of my books, and became to some extent a sympathizer. He lives not far from my home, goes to hear me when I

speak, and when I ran for governor, was one of my few campaign contributors.

It happens, quite understandably, that the children of this old gentleman do not share his political eccentricities. Perry, and his bothers and sisters, find themselves entirely content with the luxury to which they have been born. To them the word "radical" means for the most part a person who dresses badly, fails to shave, and seeks out their father for the purpose of involving him in some unpleasant kind of notoriety.

Perry lives back East, filling an executive position in the great company. In the fifteen years that I have known him, he has come eight or ten times for a visit to his father; a devoted son, well brought up, and scrupulously polite to his father's friends. He takes the liberty to warn the old gentleman as to the consequences of his conduct; but also he considers it his duty to hear his father's answers, and when they end in disagreement, he resigns himself to one final duty, to let his father bring him to see me, and hear me tell him that his father is right.

If it were astrology, or the cult of Buddha, or that of Mazdaznan, which Perry's father had taken up, it would be all the same to the son; he would come just as patiently, and conduct himself with the same even courtesy; I would put on my robe of purple and scarlet, with stars of gold, and light the joss-sticks, and tap on the sacred gong, and proclaim, "Om, bom, satai"; and Perry, with the same tact would answer, "Yes, Mr. Sinclair, I appreciate your motives, but it seems to me that you will first have to change human nature."

Perry is good to look at; tall, finely proportioned, immaculately groomed. You know, when you look at him, that from the moment of his birth, and even before that, everything was done that could contribute to the perfection of a human being. He never suffered from malnutrition, or worry, or fear; he was never thwarted or stunted, or scorned, or repressed; he has never had to hurry, or to hate. His paths have been made smooth before him; he has known where to go, and by what means. He has been taught what is right and decent; for the most part, I imagine, he has done these things, and has few shameful memories to haunt him. You can see all this in his well-proportioned features, and in his gracious manners, as well as in the security of his mind, the firmness with which he resists my verbal onslaughts. He has no fear that I will upset his mind, nor, on the other hand, any fear that he may reveal to me any weakness of his own, any inadequacy of his information on the subject of world problems.

Soon after I first came to know him, Perry chose as wife a lady of his own class, an heiress in her own right; after which she shared the duty of listening to my wife and myself argue that her peace and security were unearned, and that she was a parasite. Genevieve is just as pleasant to look at as her husband, as perfectly dressed and cared for, as free from wrinkle or scar, or trace of pain or failure. She has two or three lovely children, now half grown; having nurses and governesses to care for them, she can take trips to California with her husband. She has a palace in the city, and another by an Adiron-

dack lake; she has automobiles and servants at her disposal, and jewels of great value, though she wears only a few at a time. All these palaces and servants, motor-cars and jewels, she justifies to herself, explaining that by purchasing them she makes work for the poor.

That there is something strange about a social system in which a few have to pay fabulous prices for superfluities, in order that the many may escape starvation—this is something which my wife and I have suggested to Genevieve for a decade or more, entirely in vain. All through this period she and her husband lived in our thoughts as incarnations of complacency, the very symbols of that wholesome and restful quality. Perry would say, "No, Mr. Sinclair, you can't change human nature." Genevieve would say, "But, Mrs. Sinclair, the poor are so ungrateful." Perry would say, "If you were to divide things up, how long would it be before the capable ones would have it all again?" Genevieve would say, "But we *do* justify ourselves, by setting standards." Perry would say, "Just give us business men a little time, and you'll find that prosperity has filtered down to the lowest. We are making goods so cheaply, and are paying higher wages, and shortening the hours; our employees are buying stock, and it won't be long before the difference between capital and working class is wiped out altogether." Perry had swallowed his own propaganda, and was talking impressively about "the new capitalism."

But two years ago we noticed that the young captain of industry was worried. Not Genevieve—it hadn't got to her yet—but Perry admitted that business was falling off.

It was the uncertainty in Europe, and the high tariffs, which Perry's uncle, an ex-governor, considered wrong, and the war debts, which we ought to wipe out and forget; things generally were in a bad way. "Perry is thinking about his father's ideas for the first time," said my wife to me, after the customary visit was over.

Then, just recently, another visit, and a change which is a kind of epitome of the history of America. Perry and Genevieve had shed their studied politeness toward their father's guests at dinner, and had assumed, in a manner of earnest questioning, a way of trying to be aware of danger, but Genevieve was not a sensible new world in which divide and conquer, in this increase of taxes went right on! Genevieve ends her stopped, but are we going to do?" And Perry said, "That on earth is the worst who had compared his system with the same young capital warned me so serenely against it with Gibraltar, and had,"—Perry now said, "It seems to me the selling of America short all going to be poor together."

Perry is not alone in this anxiety. I am led to believe that there are thousands of his anxiety. I am in America. They write me letters, and ask for him in America. So because their fathers make them. They call—and in a cyclone, and any hole in the ground, they are caught. Recently came a young man who is Wall Street wizard, having built up since the panic a huge utilities corporation; strange as it may seem, he is not sure in all his securities, but was interested to spend the evening asking about my cyclone-cellar. There came an old gentleman who has spent his life packing hams and bacon; last year he packed seventy-

five million dollars worth, but this year he doesn't know what is going to happen, and wants me to help send out an S.O.S. to all America's captains of industry, bidding them shorten hours and raise wages and forget profits for a while. There comes the heir of a shoe polish factory, a candy heir, a physician to the rich, the managing editor of a dozen magazines—and all asking earnestly: "What is going to happen?"

I published a booklet called "Letters to a workingman of my acquaintance," telling him what the workingmen what I thought was coming in America. I was enough of a prophet, so that I can still hand out that book as an answer to his questions. But a pamphlet addressed to the white-collar class; you can't name them and the word "workers" when you say "workers" you mean them and the word "workers" all who are performing both hands. I decided to write something to the captains and managers of industry, professional people, doctors, lawyers, editors, as such people do—now that they must do it.

I chose my friend as a target, because all through these trying years he has been when he might have been irritated and snubbed him because I have given me thought to his father. The problems of the capitalist class—these cruel problems—become human and moving to us. We think of this old gentleman until now secure in his wealth, but tormented through his whole life by the envy of others;

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resolutely seeking a real solution, and refusing to be put off with a sham one. To here is a series of letters answering Perry's questions. He will read them, and perhaps discuss them, and help me to make the discussion more useful to others.

LETTER I

MY DEAR PERRY:

We don't have to waste my time or yours establishing the fact that there is something seriously wrong with our country. I am writing just after a "holiday" which closed every bank in the United States, and kept them closed for twelve days. A large number of banks are still closed. The newspapers praise the fine spirit in which our people took this calamity; everybody found it amusing to get along with only a dollar or two, or maybe only a nickel or two, in his pocket. But the serious results are still to be realized. We shall see our business indexes dropping to new lows; we shall see more millions added to our fifteen millions of unemployed. This in turn will cause a further decline in stock values, which in turn will render some more banks "unsound", and bring on another and still longer "holiday"—so through a vicious circle.

Such statements as this are unpopular, and could never be published in our great newspapers, which are trying so hard to keep up morale; fooling their readers, and perhaps themselves. It is not true that the ostrich sticks his head into the sand when he sees danger; the only creatures which do that are American editors and statesmen, business men and bankers. They did it faithfully, all through the dreadful four years of Hoover, and they are going right on under the "New Deal."

Of course, if the disease is a fatal one, and there is no cure to be found, such a course of action is justifiable. The doctor will tell the patient that everything is all right, and keep him doped with opiates, and so ease him gently into the next world. But it is my conviction that this disease is not fatal; it is merely that our doctors are incompetent. Therefore I tell the patient the truth.

What are the symptoms of our economic trouble? Here we are, living in a land which is capable of producing practically all the necessities of civilized life. Rubber, coffee, bananas—a few such things we lack, but we have a surplus of so many others that the problem of trade is simple, and for practical purposes we can say we have everything necessary to comfort, even to luxury. We have the finest machinery; we have workers equal to the best; and you surely will admit that we have competent executives. Here are you, Perry, with one of the most marvelous plants in the world, ready to turn out millions of useful articles. You enjoyed keeping that plant busy, and you now suffer seeing it idle; yet there it is, smitten with a strange paralysis, and when or how it will start into activity again is a question you admit is wholly beyond you.

In your city are scores of other plants, big and little, capable of producing comforts and luxuries for millions of people, and all of them smitten with the same disease. Production in our steel industry went down as low as fourteen per cent of normal, and stands at twenty per cent as I write. Our business index shows less than fifty

per cent of normal—and has been going steadily down for three years and a half.

If you go out into the country, you find the same cruel state of affairs. In the Middle West the farmers are burning corn instead of coal, and having their autos drawn by horses because they have no gas. Everywhere fruit is rotting on the ground because it does not pay to pack it; everywhere vegetables are being dumped into bays and rivers, to keep up the price of what is left. In the cotton country, where my wife's people live, the warehouses are stuffed with last year's crop; yet they have to go on planting, because otherwise in a single year the fields will grow up in thickets and cotton-growing will come to an end.

At the same time, in the cities, are children in rags, for lack of that same cotton; children going to school hungry, for lack of the fruit that rots on the ground, and the vegetables and milk that are dumped. Children in such a condition of suffering that the teachers pay their own money to feed them—when the teachers' salary checks are held up, because the city government is bankrupt, and cannot pay its servants. Such is the condition in your own great city—and I can say it without revealing its identity, there being so many cities in the same plight!

For thirty years I have been crying out in public places that this calamity was inevitable—but I never could get my theories considered. Now, under the pressure of general suffering, a change begins; now, at last, the official economists, the learned doctors of our business body, are forced to face the facts. There has come about a pretty general agreement among economists that the cause of

our trouble lies in the lack of purchasing power among consumers. We used to call it "over-production", but the professors prefer the term "under-consumption"; which suits me as well. We lack, they tell us, "effective consumer demand"; a collegiate way of saying that the people who need the goods haven't got the money to buy them. As I wrote, somewhat rudely, in my "Letters to Judd": "If you've got the price, you're a consumer. If you haven't got the price, you're a bum."

So far we can travel together. The problem is to restore purchasing power to the consumer. Everybody clamors that it must be done, and our new president has announced that he means to do it; it is what he calls "the New Deal". The question is, how to do it. At this point the doctors begin to disagree, and so far we have nothing but bedlam.

We can deal better with this proposition if we realize what an entirely new one it is. To propose to our business men to restore purchasing power to the consumer is to ask them to reverse the business machine and run it backwards; to do exactly the opposite of what they have been doing all their lives. Up to the year 1933, all business was run to take purchasing power away from the consumer; from as many of them as possible—all and sundry—rich and poor, old and young, white, black, and yellow. There has been evolved a variety of maxims embodying this idea; "all that the traffic will bear"; "buy in the cheapest market, sell in the dearest"; "we are not in business for our health"; and so on. America during the past decade or two has established a new branch of learning, a science

of applied psychology, whereby thousands of young men and women were trained in the arts of depriving the public of purchasing power. The stubborn desire of you and me to retain a little of it moved them to wrath; they called it "sales resistance", and acquired the art of "breaking it down"—so effectively that they persuaded us to part with six billion dollars of our future purchasing power; and now that future has become the present, and we have less than none on hand.

So, Perry, it appears that you business men have done your work too well, and now have to turn about and undo at least a part of it. You have taken all the people's money and now you have to give part of it back. Needless to say, that isn't business, but charity, and it is only natural that business men should be puzzled, and hardly know how to set about it. Where is the money to come from? Whose money is it to be? Each business man is certain on just one point: the purchasing power restored to the consumer must be some other purchasing power than that belonging to the particular business man consulted.

I am accustomed to compare our economic procedure to a game of poker: something which most American business men understand. In my misguided youth I played a game known as "freezeout", in which everybody started with an equal number of chips, and when you had lost your share, you became a spectator of the play. In the end some one man got all the chips, and the game was fine for him. Ever since we took our country away from the Indians, we Americans have been

playing a huge game of "freezeout", and there are now only a few players left at the table, but the room is crowded with those who have lost, and who no longer like the game, but clamor that the cards were stacked, or that they never had their fair share of chips. So menacing do they become that the successful players look at one another in anxiety, and whisper that perhaps it might be the part of wisdom to restore to the losers a part of their consumer capacity.

You recall that when the panic hit us, late in the fall of 1929, President Hoover called a conference at the White House, and our greatest leaders of industry came and a solemn decision was announced: America was going to maintain "business as usual"; our captains of industry all pledged themselves not to cut wages. Some of them apparently meant it, and tried to carry it out—such is why their enterprises are now close to the rock. For no business man has unlimited money, and under our competitive system each has to outdo his rivals. Today, in Detroit, they are hiring skilled workers in the body plants for eight and ten cents an hour, and in sweatshops in New York, and the mills in the South, girls are working for eight and ten cents a day. Needless to say, such persons lack "effective consumer capacity."

You know as well as I the story of the last three years; all the propaganda about "prosperity just around the corner", the desperate efforts to cure an economic evil by mental treatments. Finally, Hoover evolved another plan to restore purchasing power to the people; the government would lend several billions of dollars to the banks

and the railroads; it being the theory that this money would filter down to the masses, and stimulate buying again. But, as you know, Perry, the banks only lend money when they expect to get it back; business men only borrow money when they can see a profit in sight; and how can there be profits when there are no customers? It became evident that Hoover was trying to restore the balance to a pair of scales by putting the weight into the pan that was already overweighed.

Also, Hoover made an effort to give purchasing power to the farmers. There was a Farm Board, which bought farm products on a falling market, and in the end the stuff had to be dumped at any price, and the farmers were worse off than ever. The experiment cost \$350,000,000, most of which went, not to farmers, but to speculators; the money came out of the pockets of the American taxpayers, and it is not too much to say that they paid this price to give Mr. Hoover a chance at reflection.

The chance failed, and we have a new president, promising a "New Deal". He is unfolding it as I write, and I can only discuss what has so far come to view. First, we are forbidden to own any gold; the virtue of thrift which has been dinned into us from childhood is now punished by a ten-thousand-dollar fine and ten years in jail. Gold is only for government and banks; yet we are solemnly assured by both government and banks, and by their newspapers, that we are still on the gold standard. I remember a small boy, whose mother kept a boarding-house in a poverty-stricken part of Virginia, when I also was a small boy. Said this playmate with a mixture of

pride and sadness: "We always have chicken on Sunday, but only the preacher eats it."

Next, the sum of \$500,000,000 is to be cut from the budget, and an equal sum is to be loaned to the states for the relief of the destitute. Some one with a sense of humor should have pointed out to the new president the inadvisability of letting these two amounts remain identical—lest some evil-minded Socialist might note it. A million or so of veterans and hard-working public servants are to be deprived of their jobs, and are to receive the same amounts of money as a dole!

Also there is to be another try at giving purchasing power to the farmers; money is to be paid to them in the form of higher prices, and this money is to be taken from the consumers. What will be the effect of this upon purchasing power? You may recognize the program as an equivalent of a tariff. For the past hundred years the government has allowed a disguised subsidy to the manufacturers, and the consumers of manufactured products have paid it in the form of higher prices. Now the farmers are to have their turn, and we shall all be getting rich by picking one another's pockets.

Another boon for the farmers; they are to be taught to reduce their product, by renting part of their land to the government, which will keep it idle. You manufacturers ought to make note of that, Perry; why not let the government pay you rent for your idle factories, and the machines in them! Surely this is the way the glut of products and deflation of prices can be stopped; industrial stocks and bonds will have part of their value restored,
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and the banks and insurance companies which hold them will be saved, and the widows and orphans will be protected. Let the government play no favorites, but subsidize all classes of the community!

I have gone into detail about all this, because it brings out the essential point, common to the Hoover remedies and those of the "New Deal": all parties are in agreement whose money shall be used to restore purchasing power. There is only one source of wealth sufficient to stand the strain, and that is the pocketbook of our good Uncle Samuel. No matter who may be the rugged individualist who finds his purchasing power dried up, he knows one place to run to for more, and that is the government. Bankers, railroads, manufacturers, farmers, veterans, unemployed—all have their hands out for doles, and are certain that the government owes them a living. Apparently it has not yet occurred to anybody to ask whether the ability of our rich old uncle to hand out billions may not have a limit.

From what source does the government get its money? From only one source, however it may be disguised, the taxing of you and me. To be sure, the government produces a few things for itself, postage stamps, envelopes, and printed speeches of congressmen; but certainly ninety-nine per cent of the country's useful articles are produced by private industry, and whatever share the government gets is by a tax. Even if the government starts inflating the currency, as the new bank measures indicate, that will only be a new and subtle kind of tax, depriving everybody in the country of part of the money he owns.

So, what it comes down to is that we are going to tax ourselves, to get money to pay ourselves subsidies, to provide ourselves with "effective consumer power". One needs only to state the proposition, in order to realize its folly. But when the time comes we shall not laugh—because we shall be filled with fear. The discovery will come during one of the bank panics; the next one, or perhaps the one after that. It will be a panic the government cannot stop, because the people will have realized that the government is just us. The government will not be able to tax us any more, because we will have nothing more left. That \$100,000,000,000 which we have in life insurance, and that \$24,000,000,000 which we have in the savings banks—it will suddenly have occurred to us that the security for this money is in railroad bonds and real estate mortgages which have lost their value; the billions which our government has ladled out to bankers and railroads and manufacturers and farmers and veterans and unemployed—all these sums will be gone, and the effort to restore purchasing power will have failed.

In saying these discouraging things, Perry, let me hasten to add that I find no pleasure in them. Along with you, and the other business men, I am a passenger in this airplane which has gone into a tailspin. It so happens that I, too, am a business man. I had a book which I thought needed publishing, and I borrowed some thousands of dollars and spent them for paper and printing; I spent some thousands more advertising the book, and just as the advertisements began to appear, came the bank holiday, and I might as well have published my adver-

tisements on the far side of the moon. Now I am ready to go to the Reconstruction Finance Corporation, the ladling-out department of our government, and ask for a loan to maintain my consuming power. If they refuse me, I won't be able to pay my advertising bills, and the great capitalist newspapers and magazines of New York will be closer to bankruptcy. We capitalists must stand together, Perry!

Jesting aside, every man, woman, and child in America has an equal share in this peril; to each and every one of us it means our happiness, our very lives. To those who have nothing, it means a continuance of that state, with extermination as the final result. To those of us who have anything, it means that we shall lose it, and lose our security, which we had hoped to pass on to our children. It means in the end bloody insurrection, the overthrow of our government, mobs invading our homes—no one can say what years of chaos and misery. If anywhere in these letters I indulge in humor, it is only because I am trying to keep my courage. If I become vehement, it is because the danger is so extreme, and people are so blind to everything but their own little selves, their own little chance to grab a piece of something, and run off into a corner and hide it.

LETTER II

MY DEAR PERRY:

If you were ill, and a man offered to prescribe for you, you would naturally ask for his credentials: what basis has he for his claim to understand your disease, and its cure? It so happens that I have no college degrees in economics; I am an outsider, a volunteer, and the fact that I have given most of my time to the subject for the past thirty years is not in itself a guarantee of fitness. A great number of others make the same statement, and their remedies vary from the free printing of greenbacks to the destruction of machinery.

There is, however, a test of knowledge, recognized by every scientist in every field. If you can predict the course of events, and not merely once or twice, but systematically and continuously, it means that you understand the forces at work in a given process. If I now proceed to exhibit credentials of that sort, do not suspect me of vainglory. In a time such as this, a man who was interested to exploit his own self-love, would be a poor sort indeed. What I am seeking here is merely to convince you that I know what I am talking about.

In the year 1903 I wrote, and in 1904 I published, "An Open Letter to Lincoln Steffens", dealing with the revelations of political and business corruption which Steffens was then giving to the world. In that letter I outlined our

capitalist process, and showed that it was a self-terminating one; that is, the forces which were and are the essence of that system must, within a limited time, bring it to a state where it could no longer function, and the resulting distress would compel the adoption of a new system. In 1906 I wrote, and early in 1907 I published a book, "The Industrial Republic", in which the same arguments were presented in full. I expected and foretold the crisis for the year 1913, and that caused me to have to bear a lot of "kiddling" from my critics. These critics failed to note—perhaps they hadn't read me carefully enough to note—my statement about one factor which might postpone the crisis, that being war.

I turn the pages of that long out-of-print book and note: "It is with Germany that we Americans are scheduled to battle. . . ." Again: "And now you stand and contemplate another such crime against civilization . . . The two most enlightened peoples of the world are to come together and strip for the fight. . . ." There were a couple of pages about this coming war, and the various forces in the two countries which were preparing it, and how the two peoples would react to it. In April, 1918, in the midst of World War, I reprinted this prophecy, and it was so exact that my magazine was barred from the mails in England.

The World War postponed the crisis, by destroying a great part of the wealth of the world, and making work for those who had to replace it. But also the World War built up the mass of debt which constituted a first mortgage upon the fruits of all future labor, and so made cer-

tain that the crisis would be much worse when it finally arrived.

In 1922 I published "The Book of Life", which is still in print, and in which you may read a portrayal of the forces at work, and the crisis to which they would lead. The following year I engaged in a debate with a lawyer in Kansas, which you may obtain for the sum of five cents, in the Little Blue Books, published by Faldeman-Julius, Girard, Kansas; Number 234, "The McNeal-Sinclair Debate". You may judge the prophetic abilities of my opponent from one of his sentences: "Russia must go back to the normal processes of capitalistic development through the medium of a Russian capitalistic class." You may see him joining the ridiculers of "The Industrial Republic", quoting what he called "the wild-eyed prophecies" of that book. Picturing what would happen when capitalism began to break, I said: "In the first place there will be three million, perhaps five or ten million men out of work. They will have been out of work for a year or two. . . . They may have forced Congress to provide them some temporary employment . . . that a Coxey's Army of much larger size will have marched on Washington seems quite certain . . . the Socialists heading hunger parades, circulating tracts. . . . You will not be able to awe the people with great names nor to fool them with respectability. They will have been taught to regard the leaders of our business as convicted and unpunished criminals. . . ."

My opponent paused to have a little fun with these prophecies, and then went on to quote some more: "You

will be utterly terrified at the state of affairs. Credit will be failing, and the business of the country will be holding its breath." Said my Kansas lawyer-opponent: "Reads like a brainstorm, doesn't it?" That was in 1923; I wonder, if he is still alive, how it reads to him ten years later!

In 1926 I published "Letters to Judd". I won't stop to quote from that book, because I sell it for ten cents, and give away copies to any one who lacks the price. The Socialist party distributed a hundred thousand copies during the presidential campaign of 1932, and in preparing that edition for the printer I didn't have to revise an essential word. You remember, Perry, what your orthodox economists and statesmen were prophesying about America's business future, in those days of "keeping cool with Coolidge". Some one prepared a book full of these quotations, entitled "Oh, Yeah?" and in it are listed a troop of our greatest names, from Herbert Hoover down. I put this challenge to the capitalist professors of economics and the financial prognosticators and editorial writers of our metropolitan newspapers: Which of you would care to reprint in this year of 1933 what you wrote about the business future of your country in the year 1926?

These, Perry, are my credentials. If this were a world which respected real understanding of social forces and events, the publication of that record would cause the professors and statesmen of America to ask me for advice. But, alas, we have not yet a world in which truth is sought or honored, but rather one in which class greed and privilege have scared the eyes of the public, so that they may not be able to see how they are robbed. There-

fore nobody comes to my door but beggars and peddlers of vegetables and brooms, and now and then some rare soul, destined to martyrdom. I still have to go on printing my truth in little pamphlets, and spending my surplus earnings distributing them to whomsoever will read. Each morning when I get up I have to decide: Shall I write something entertaining, and earn some money; or shall I write another letter to Perry, and lose some money?

Now then: just what is it that is wrong with our social system? Competition puts a small class in positions of power, enabling them to draw to themselves a larger and larger share of the total social product. This amount becomes more than they can spend, and they re-invest it; which means that it accumulates at compound interest. The rate is apt to be a high one, because these investors employ the shrewdest brains in the land. Said old John D. Rockefeller, in one of his moments of frankness: "I am a great clamorer for dividends." His clamor was answered, and his fortune grew, and the fortunes of all the privileged grew, and most of them were well guarded. The question, therefore, is a simple one of compound interest. For how many years can a huge sum of money, clamoring for dividends, go on growing at compound interest, and what will happen when its clamor can no longer be gratified? The answer is: look about you!

Instead of writing more on this point, I am going to quote what I wrote in October, 1903. When a book is thirty years old it is a classic, and the reading of the classics is a cultural act.

Picture me, a youth of 24, all unknown to fame, living in a little shack built with my own hands at a total cost of \$156, and keeping my family upon an income of \$30 a month. The shack stood in a farmer's wood-lot, several miles north of Princeton, New Jersey, and near it was what I called a "study", size eight feet by ten, built of boards and covered with tar-paper. Living thus I had to choose, just as I did this morning, between writing something which would make money, and something which would be rejected by all capitalist magazines in the United States: see the "The Brass Check", in which I have told the story of this "Open Letter to Lincoln Steffens", how young Robbie Collier agreed to publish it, and how his father refused to let him. I reproduce several pages from that "Open Letter", so that posterity may judge between the starving young novelist and the old ex-packpeddler who had built up a book business and a magazine, and wouldn't let me publish my ideas, for fear, as he put it, "You will scare away my half-million subscribers." Old Peter Collier is long since gone, and so is his kindly but dissipated son; but you are here, Perry—you are posterity! Read, and judge.

"Look, Mr. Steffens; you go from town to city, and from city to state, and everywhere you show us hordes of political parasites battenning on corruption; and you tell us that the fortunes that they make represent but a small portion of that which is made by the 'big business-men' who bribe them. Magee and Quay, you tell us, made thirty millions out of the street railroads of Pittsburgh; and all over this land, year in and year out, such sums

are being 'made'. And soon afterward came Mr. Lawson's story of how the Standard Oil group 'made' forty-six million dollars in a single deal without turning over their hands. Mr. Lawson expatiates upon this way of 'making' dollars—he makes reflections which I have often wondered if you were making. I have wondered if you realised entirely that these millions of dollars were *real* dollars? Dollars that a man might spend, just the same as any other dollars—with which he might purchase food that men had toiled to raise, and houses that men had toiled to build! I am writing these words in October, and the windows of my room look out upon a cornfield. All the year long I have watched a farmer and his son at work in this field—first plowing it, then harrowing it back and forth and across, then planting the corn, patiently, row by row. The field is ten acres in size, and it seemed to me that not a week passed all summer that the farmer was not plowing and weeding it; and now that the fall has come he has cut it stalk by stalk, and stacked it; and now I can see him and his son sitting on the bare, bleak hillside this morning, husking it, ear by ear. That will take them all of two or three weeks, and when the whole thing has been done they will gather up the ears to cart them to town, and the farmer will have five hundred bushels of corn and will get for them two hundred and fifty dollars. And then I read Mr. Lawson's account of how the Rockefellers 'made' forty-six million dollars out of Amalgamated Copper—and strive to realise that what they made was equivalent to the labour of the farmer and the farmer's sons and the farmer's horses in

one hundred and eighty-six thousand ten-acre cornfields such as the one I look out upon!

'Is it not obvious that if I were to have the power to call a piece of paper one dollar and to put it into circulation, exchanging it for two bushels of corn, I could only do it by diminishing the value of every other dollar in the country a certain small amount? Supposing that the total wealth of the country was one billion dollars, I should diminish every single dollar by one-billionth. Suppose that similarly I 'made' one million dollars—by any sort of 'making' whatever, save by producing some useful thing and increasing the total wealth of the country—I should then tax the holder of every dollar one mill. A man who owned ten thousand dollars would be robbed by me of ten dollars—he would be robbed of it just as literally and as actually as if I had broken into his house and stolen his watch. He would not know he was robbed, perhaps—all that he would know would be that when he spent his ten thousand dollars he would not get quite so much. In Dun's and Bradstreet's the event would be recorded in the statement that the cost of living had risen one-tenth of one per cent since last week, and that interest rates had similarly declined. And now here is the young girl who works in the sweatshops of Chicago for a wage of forty cents a week, as thousands of them do. The great Amalgamated Copper deal is consummated. Mr. Rockefeller and his fellow-conspirators 'make' forty-six million dollars—and the young girl's wage becomes thirty-nine cents and a fraction. At forty cents she was hanging on for her life; at thirty-nine and a fraction she

enters the nearest brothel. Here is the little child of eight years toiling from six at night till six in the morning in the midst of throbbing cotton-looms for nine cents. Magee and Quay of Pittsburgh 'make' thirty million dollars in street railroads—and the little child's wage becomes eight cents and a fraction. At nine cents he was starving; at eight and a fraction he faints, and the machinery seizes him, and his arm has been torn out of him before anyone can answer his screams. So it is, Mr. Steffens, that there are people in this country to whom the difference between today and tomorrow is simply a difference between life and death.

"That farmer about whose work I spoke will take his two hundred and fifty dollars to the bank for deposit; and in the line before the window will be a young spend-thrift idler with a month's income from his father's estate, and a politician with a bribe for a street railway franchise; and to the banker all these deposits will stand upon equal terms, they will be equally 'good', and will claim and get interest at the same rate. The farmer will have to content himself with a lower rate, because of the competition of the others; and next week, when the activities of some speculator in Wall Street bring about a failure of the bank, he will get not a bit more out of the wreck than the other two. And then he will go back and toil for another year to raise a similar crop—and what will he find then? Why this: the forty-six millions of the Standard Oil gang will have survived all mischances, and having by their enormous mass attracted profits, will have become fifty millions, or even sixty; and the thirty millions of

Magee and Quay will have become thirty-five. All the untold millions of the capital of the country will have increased similarly; and the investment field will have become more crowded yet, and the prizes fewer yet, and the chances of living more hazardous yet; and the cost of living will be a little higher yet; and the interest rate a little lower yet, and wages a little lower yet; and the whole of human society will be toiling a little harder yet to pay the profits upon that heaped-up mass of wealth. More men will be taking to drink, and more women will be taking to brothels—more to suicide, madness, vagabondage and crime. The race for profits will be a little more fierce, social ostentation will be a little more vulgar, political corruption will be a little more shameless, strikes and riots will be a little more common, the Socialists will be a little more active—and you, Mr. Lincoln Steffens, will be a little more saddened at the sight of your country's downward career.

"I have noticed a very curious fact about your views, that all your hope of betterment is in the future—it is always how we can prevent new stealing, never how we can punish the past. And so these thirty million dollars of Magee and Quay, the forty-six millions of the Amalgamated deal—they are safe and beyond recall forever? Mr. Lawson talks about 'restitution'; do you think he will ever bring it about—do you see any signs of it so far? And yet those forty-six million dollars, assuming that they grow at ten per cent, a small earning for such a sum—year after year they will be, roughly speaking, as follows: 46, 51, 63, 69, 76, 84, 92, 101, 111, 122, 134, 147, 162, 178,

196, 216, 238, 262, 288, 318, and so on. In other words, the heirs of the 'Amalgamated' financiers will twenty years from now have multiplied that sum nearly seven times, and be receiving nearly seven times as much tribute from the sewing-girl in the Chicago slums and the children in the Georgia cotton mill. 'Mr. Steffens, am one of those who look upon all profits, rent, interest, and dividends as a survival of barbarism, the last but not the least of the devices whereby the strong enslave the weak and profit by their toil; but I assume that you are not one of these—that you are one of the class I heard described by a speaker the other night, 'who think that the first dollar is a male dollar and the second a female, and that when you put them in the bank together they bring forth dimes and nickels, which in the course of the years grow up to be dollars as big as their parents'. Yet even so, you can not but recognise the distinction between legitimate and illegitimate children. You can not—to drop an inconvenient metaphor—claim that society can by any possibility whatever be required to go on paying tribute to that stolen forty-six millions—the three hundred and eighteen millions of twenty years from now. It is a maxim of law, Mr. Steffens, that there is no wrong without its redress."

Such was my indictment and my prophecy. Twenty-six years passed before the great crash came, and in those years the stolen \$46,000,000 had swollen to something over \$600,000,000—and this without allowing for the enormous profits made in copper during the years of the World War. All the other sums named in my letter had grown proportionately, until the total mass of indebted-

ness carried by our society amounted in 1929 to more than \$250,000,000,000. Every dollar of that enormous sum demanded its tribute every quarter; every dollar of it constituted a first mortgage upon industry, and was in position to bring industry to a stop the moment its claims were not honored. Any railroad, any factory, which could not pay the interest on its bonds would be thrown into the hands of a receiver, and in the end would be shut down. Thereupon, the men who had been working for that factory or railroad would be out of work, and would no longer be able to buy anything, and so the men who had been producing articles for them would also join the unemployed; and so would begin that tailspin which I foretold in 1903, and which you and the rest of the world have witnessed from 1929 to 1933.

There is no need to go into more detail about it; the point I am trying to make is that these events are the culmination of a process which is automatic; the capitalist system is a self-terminating one, and the effort to keep it going beyond a certain time is an effort against nature.

I like to compare the process to the hatching of an egg. If you knew nothing about eggs, and had never seen one hatch, it would be entirely incredible to you that there was a fully formed young chicken inside that round, hard, smooth, and seemingly all-perfect egg; the man who tried to tell you such a fairy-tale would be an object of the same sort of ridicule that I brought down upon my head in 1906 by asserting that America would some day cease to be a capitalist autocracy and become an Industrial Republic.

I point out to you: you cannot say that an egg gradu-

ally changes into a chicken; on the contrary, there is a time when it is all egg, and a few moments later it has ceased to be an egg at all, and has become all chicken. This is my answer to those philosophers who tell me, solemnly and tediously, that they do not believe in revolution, they believe in evolution. The fact is that revolution is a part of evolution, and when the time comes, there is no use trying to postpone it. When the chicken-raiser hears the tapping, and knows that the chick is struggling to get out of the shell, he does not put clamps around the egg to keep it intact. But that is what our statesmen and economists are doing with the chick inside the social egg.

We tried it with the Russian egg, even going so far as to send our soldiers to Murmansk and Vladivostok, to put the clamps on the Bolsheviks. When in Italy the workers took the factories and tried to run them, we subsidized the Fascist counter-revolution with a loan of \$200,000,000, and now we are proud of our Mussolini, and his ability to keep the trains running on time for the convenience of our tourists. The fact that the half-starved workers of Italy have seen a steady decrease of wages and a steady increase of unemployment for the past eight years—that troubles our international financiers not a particle. When the final explosion comes, when Mussolini and Hitler are overthrown, and Italy and Germany go Bolshevik, as they are certain some day to do—are we going to let our bankers have their way, and send our troops to Genoa and Hamburg, and spend some tens of billions of dollars in a new crusade to save our loans? That, Perry, is one of the decisions which you may soon have to make!

LETTER III

MY DEAR PERRY:

The cause of our economic troubles lies in the concentration of ownership and control in the hands of a small class. Vested wealth has grown beyond the point where the consumers have money enough to furnish profits. Under our system, the search for profits being the motive power of industry, when there are no profits industry halts.

To make clear how private ownership causes our crisis, I employ an illustration which has been familiar in the literature of Socialism for a generation or two. Three men are cast ashore on a tropical island. A learns to catch fish, B specializes in gathering cocoanuts, while C makes boats, tools, houses, etc. These three trade their products, and their trade is equal and just, because B knows that if A asks too much for fish, he can go and get his own fish, while A knows that he can gather his own cocoanuts, and so on. The island is productive, and the three men have an easy time, and are never troubled by "overproduction", because when they have more than they need, they take a holiday; perhaps they make a guitar, and dance, which is art, or explore the island, which is science. A learns to dry his fish, B stores his cocoanuts, C lays in a stock of tools, an extra boat, etc., and everybody is comfortable and safe.

But now let us introduce into that island the factor glorified under the name of "rugged individualism"; that is, the private ownership of the instruments and means of production, and the exploitation of man by man. Let us assume that C makes himself a club with spikes in it; that is the way it was done by our ancestors. By this rude logic A and B are persuaded that C has special rights to the island. Or perhaps the three play a game of poker, with the rights to the fishing and the cocoanut groves as the stakes. However it happens, A and B become tenants, serfs, wage workers, mortgagors, signers of promissory notes, whatever name you prefer—the economic result is the same. They no longer own their product, but work for C, and receive in return a portion of the fish and cocoanuts which are produced by their labor. Note that word portion; it is, to the American people, and to all people of the whole world, the most important of all words at the present time. The remainder, which belongs to C, is the cause of all our miseries—poverty, unemployment, preventable disease, prostitution, crime, graft, racketeering, militarism, diplomacy, war, strikes, riots, and, in the end, revolution.

What does C do with those fish and cocoanuts which he does not pay to A and B for their labors. He stores them up; he becomes a capitalist. And presently comes a time when he has all that he needs on hand, and then he tells A and B to "lay off" for a while. Note now the difference in the status of A and B from the days when the island was free; they are no longer on a holiday, but are out of a job. They can no longer play the guitar.

which is art, or explore the island, which is science; for they no longer have a store of food laid by, and have no means of getting any. If they are chattel slaves, they may be set to fanning the flies away from C while he sleeps; if they are free citizens, they have the right to wander about the island, but they may not touch the fruit and game, because that would be poaching.

They know this, because C tells them so; he has made a law. He is the government—that is, he has the club with the spikes in it. He is the church—he tells them what God wishes them to do. He is the press—if either of them disobeys the law, he compels them to write editorials disapproving their evil conduct. All this, Perry, can be made as funny as you please.

Perhaps C is a man of "vision", with ideas of a higher civilization; perhaps he is a good-hearted man, and does not like to see his workers starving. He will put them to erecting better buildings, devising better tools, a fishing net, a device for shaking down cocoanuts—anything that will increase his wealth. All these devices will belong to C, who owns the land, and has directed the labor, and paid the wages. He considers himself a public benefactor, and says so in the speeches which he orders A and B to write. He recites proudly the increase of production which he has brought about; that constitutes progress.

But he never sees the inevitable outcome: the more fish and cocoanuts are produced, the worse becomes the plight of A and B. The store of wealth has become so great that some of it is rotting in the government warehouses, and prices keep dropping, and C is at his wits' end to know

what to do with the surplus. The problem of unemployment becomes so menacing that the government has to organize A and B into a labor army, and set them to reforesting the island—although there are already so many cocoanut trees that the supply lies untouched on the ground.

You see, Perry, how I might expand this story, satirizing alike the Hoover and the Roosevelt remedies for the depression. It won't do any good for C to lend money to A and B, so that they can buy food from him. That will only postpone the crisis, and make it worse when it finally becomes clear that the bonds are worthless, because A and B are bankrupt, and therefore C has lost his fortune, and the bank which he has set up has all its assets frozen, and there is nothing for the government to do but declare a moratorium. Of course A and B are always ready to pay their debts, if C will lend the money; and C does that for a long time, but finally gets tired of it.

Nor will foreign trade solve the problem, because all the other islands have the same social system, and are suffering from the same depression. C cannot collect the money which the foreign traders owe him, because if he lets them bring in fish or cocoanuts, it will complete the ruin of his fish and cocoanut industries. Therefore C comes to believe in a protective tariff, and when he decides that there is no chance of collecting reparations, he passes a law forbidding the sale of the bonds of any country which has defaulted in its payments to him.

Worst of all among his troubles is social unrest. In spite of all he is able to do by means of church and school and

newspaper and radio and moving pictures, A and B are grumbling at the continued lack of employment, and demanding that C find ways to keep them at work, so that they may have the right to eat some of the fish which are rotting, and the cocoanuts which are moulding in the storehouse. In the fighting when C took possession of the island, A helped against B, and was wounded, and now he calls himself a veteran, and demands a pension, and organizes a bonus march to the palace which C has had A and B erect for him to live in. A becomes so boisterous that C has to have B throw poison gas bombs to drive him away from the White House.

So far, C is saved by the fact that A and B cannot get together. A calls himself a Republicrat, while B calls himself a Democan, and each is positive that he knows how to remedy the depression. B, the cocoanut gatherer, demands that C shall reduce the tariff on fish, so that B can get cheap fish from abroad; but C points out that this will ruin his fish business. A's idea is that C should issue bonds to subsidize the fish trade, and cause the building of a new boat; but C points out that there are six boats now rotting on the beach, and the best he will do is to lend new bonds to the national banks to thaw out the frozen assets of the boat-building trust.

C makes a speech over the radio, explaining that the cause of the trouble is that wages have not been sufficiently deflated: A and B can't answer, because they have no radio, but they grumble to one another that their wages of one fish and one cocoanut per day constitute a deficiency diet. C makes another speech saying that all

previous depressions have passed in time, and that prosperity is just around the corner, and it is the duty of all good Americans to stand by the president. But A and B say they are starving, and the laws of the business cycle don't matter to dead men.

The fear which haunts the dreams of C is that A and B may demand a return to that happy state wherein they shared all rights to the island, and could catch fish and gather cocoanuts and enjoy the full product of their toil. The first time C hears that talk he passes a criminal syndicalism law, providing ten years in jail for the advocacy of it. Moreover, he puts a mitre on his head, and holds a staff in his hand, and issues an encyclical, declaring that the idea is contrary to the Word of God. He then hires B with a piece of dried fish, and sends him out to use the spiked club on A, and prevent him from holding a meeting.

Now there comes to this island a traveler, a sort of amateur economist, who appeals to C in the name of humanity. He says it is perfectly obvious to a thinking man that the social system of that island is outgrown, and he begs C to give way, and permit A and B to have access to the means of production, to catch fish and gather cocoanuts freely. But C says, what about his property rights? He declares that the supreme court would find such a law unconstitutional. Also, he wants to know who will do the dirty work. Also, he says that the idea is contrary to human nature, which cannot be changed. He says the thing wouldn't work; he calls the visitor a dreamer, an idealist, and he says that the affairs

of that island are administered by practical business men.

But the visitor goes on arguing for his ideas. He writes a series of "Letters to C", in which he points out to the master of the island the danger in which he stands; if he won't permit a sane and peaceable solution of the problem, sooner or later A and B will get together and overthrow him by force, and maybe he will be killed, and there will be a lot of waste and suffering. But C hardens his heart, and organizes B into an American Legion, and sends him to shut up the Socialist agitator.

However, when B's pension is reduced, he no longer feels so loyal to the government, and at last A and B unite, and get hold of the spiked club, and demand that C shall abdicate. C denounces the move as Bolshevism, but in the end he is beaten, and proscribed by the new government. A and B set up a Communist system; but in the fighting the houses and boats have been destroyed, and all has to be rebuilt. A and B work out a five-year plan for this rebuilding, and C, who is hiding in the woods and setting fire to their boats at night, declares that their plan can never succeed, but that the island must inevitably come back to capitalism. He settles in a place called Riga, on the next island, from which he sends out press reports to the world, telling how A and B are suffering from starvation, and how A has just cut off one of B's legs and boiled it for dinner, and refused to give B a piece of it.

You see, Perry, I could expand this fable into a book, if I didn't fear it would bore you. The relationships of

three men, producing goods and exchanging them, are exactly the same as the relationships of three million men, or of three hundred million. Whatever their number, if they hold in common the instruments and means of production, the land, the forests, the minerals, and the machines whereby goods are produced and distributed, and if every one of them receives the equivalent of the full value of his toil, we have a free society, and production and exchange can go on unhindered forever, and there will be plenty, so long as the island continues to be productive, and the men to be industrious. Overproduction will mean, not starvation, but abundance for all, and leisure time to be devoted to art and science.

But the moment you make the means of production the monopoly of a few, and permit these few to exploit the labor of the others, paying them only a part of what they produce, and piling up the surplus, then you are started on a career of capitalist imperialism, such as we now see to our infinite torment. We will see an owning class, living by exploiting and speculation, breeding its own vices, and multiplying them beyond imagining. We will see a proletariat, a mass which has only its labor-power to sell, and which is continually bidding against itself in the labor market, and driving its own wages down. We will see poverty with all its attendant ills, ignorance, vice, crime, graft, strikes, riots, war, revolution. All this will be so familiar to us that we take it for granted, and lose all sense of its monstrous character, and the extent to which it departs from nature and common sense.

The symbol by which this system is distinguished is DEBTS: that is, paper promises to pay a share of the productivity of labor. As America is organized today, all its productive processes, everything having to do with making and distributing goods, is burdened with a mass of these claims; every laborer in every factory pays tribute to bondholders, stockholders, landlords, owners of railroad securities—it would take pages to list the tributes paid by the humblest toiler, at bench or forge, or on the land. Considering yourself as a consumer, you are paying literally millions of separate tributes, every day of your life; the tangle is so complex that the buying of a loaf of bread or a daily paper involves so many financial operations that lawyers and accountants would have to work for years to list them all.

And hour by hour, as the machinery grinds on, the complexity grows worse, the burden heavier. The weight of it increases, not merely in arithmetical ratio, but in geometrical. Every dollar of profit that is wrung from labor becomes a new bit of privilege, entering its claims upon the books of world capitalism, to be honored for all future time. The more successful the crime by which profit has been wrung from the toiler, the greater becomes the right to reward forever after.

And note this, Perry, with regard to our social system: that just as the piling up is an automatic process, so is the collapsing, when it begins. The first crack in the structure comes when some industry or railroad or bank cannot get enough profits to cover the mass of debts it has accumulated, the promises to pay which it has signed.

When it breaks, it carries others which have relied upon its promises, and have its bonds in the treasury. Right now we are witnessing these collapses, in wave after wave, every three or four months for the past three years and a half. Each time, the newspapers assure us that this crash is the last, the upturn is now beginning; and we go on hoping against the facts.

Look at the recent bank holiday, for example. We are so happy to see the banks reopen that we almost fail to note that 25 per cent of them have not reopened, and that \$6,000,000,000 of the people's money is tied up, for no one knows how long. More banks failed in that one crash than had failed in the whole of 1932. Is it not obvious that this will further reduce consuming power? And that this will reduce the profits to be made in industry? And that this in turn will reduce the value of securities, which is based upon profits? And that this in turn will cause more banks to find themselves "unsound", unable to meet the demands for cash which are made upon them? I venture the guess that three million people who were working in February are not working now, early in April. And how many more such crashes do you think we can stand? How many more unemployed millions can we afford to add to our 15,000,000? Since our prophets of prosperity have been wrong so many times, surely it would be wise for you to hear the other side, and consider what can be done with this humpty-dumpty who has fallen off the wall and been so badly cracked that not all the king's horses and all the king's men can put him together again!

LETTER IV

MY DEAR PERRY:

I have been trying to establish the fact that our economic troubles are caused by the piling up of claims against the products of industry, called debts; and that this process of piling up is the essence of our system, and cannot be avoided under that system. Men struggle for wealth, and the crown of victory is paper claims upon the products of other men's toil. The advantage once gained is cumulative, and continues until the burden of piled-up debts breaks the back of industry.

We have it in our power to change this system at any time we care to do so, and I purpose to show exactly how. But first, I want to consider several plans which are being urged to avert the breakdown. So long as there is an idea in your mind that one of these plans might work, you will not travel along with me.

We are told that the depression can be ended by reviving foreign trade. It so happens that reduction of tariffs is one of the oldest items in the platform of the Democratic party, and as I write, President Roosevelt calls upon the nations to adopt this method of salvation. He is going to have a series of conferences with foreign statesmen, who will be asked to agree to reduce some tariffs which they have put up against us, in return for our reducing tariffs which we have put up against them. We shall try this

method out, and see just how rich we can get by taking money from our coat pockets and putting it into our pants pockets.

Since coat and pants are separate economic units, each trying to get rich at the other's expense, this arrangement will be a grand thing for pants, and pants will be enthusiastic for "reciprocity", and will maintain an active lobby in Washington. But meanwhile coat will be forming a manufacturers' protective association, and will be stirring up workingmen by pictures of the ruin and starvation which the new tariff policy will bring to coat, and to all who depend upon coat for a living. The total result of the move will be an economic waste, because of confusion and loss of confidence.

Take any object of trade you choose to name: take electric light bulbs, which are coming in by the millions from Japan. Let us assume that Japan has a tariff against American wheat, to protect the Japanese rice growers from the competition of a rice substitute. We now make a reciprocity agreement with Japan, whereby we reduce our tariff on light bulbs in return for their reducing their tariff on wheat. Thousands of such agreements are in the mind of our statesmen at this moment.

Five economic groups will be affected by the wheat-light bulb agreement. First, American wheat-growers will make a certain amount of money, and American light bulb manufacturers will lose that money; the amounts will be equal, dollar for dollar. Second, Japanese light-bulbers will make a certain amount of money, and Japanese rice-growers will lose that money, yen for yen.

There will be no other place for a yen to come from, since there is nothing in the process at any stage to increase the buying power of the Japanese people. The only permanent gainers from the deal will be the ship-owners, who will levy a tax on both American wheaters and Japanese bulbers, and so naturally are strong for the breaking down of tariff barriers and the building up of trade. The American wheaters will pass the tax on to the Japanese consumers of wheat, and the Japanese bulbers will pass the tax on to the American consumers of bulbs; neither group of consumers will know what is happening to them—except that they are poorer.

There is no greater economic delusion in the world than that of benefit in the process of shipping goods all over the earth. It is sheer waste, justified only in cases where the country has not the raw materials to make that particular product. Why, for example, should we buy from Japanese bulbers? We have all the material and the skilled labor to make our own. But the Japanese can undersell us, you say! How? For one reason and one only, because the Japanese workers have a lower standard of life than ours, will work longer hours and eat less food. So it appears that the purpose of international trade is to bring the advanced people down to the coolie standard.

I say that the American workers have been perfectly right in their determination to prevent this. Let the consumer be required to pay for every product a price which will give living wages to the workers. But then, I add, let us see that the money goes to the workers, and not to

speculators and parasites of one sort and another, collectors of interest, dividends, and profits. Very certainly this will not be achieved by letting foreign slave-drivers bring our wages down to their levels.

What is the source of this delusion about foreign trade as a benefit? In our disorganized society, where everybody is trying to get rich by picking everybody else's pockets, there are certain groups which benefit by trade, and this benefit is obvious, and the waste is not so obvious. The delusion starts from the fact that we have a surplus of products, which our own people cannot consume because they are not paid enough wages to enable them to buy it. So an effort is made to sell the products abroad, and if this effort succeeds, the factories can go on running, and all seems well. The foreigners pay us in goods of their own manufacture. But when the time comes that we are in position to make these goods ourselves, we set up a tariff, and after that we have to sell our goods on credit—and so we come to a vast subject, foreign debts.

The foreigner gives us a bond or other paper promise, and we go on shipping him more goods than we take from him, and we are told that this is prosperity, a "favorable balance of trade". To realize the lunacy of this notion, you have only to bring it down to the scale of your corner grocer. You are carrying away goods from his shelves, and giving him checks, and he is not cashing these, but holding them. When the amount is so great that you cannot pay, you offer to bring him goods in exchange, but he throws up his hands in horror, saying that the procedure would ruin him. He makes a rule

that anybody who tries to bring him goods shall have to pay extra for the privilege, and he places the penalty so high that nobody will ever be able to bring him goods.

Is that not exactly our relationship to Europe? Here we have been shipping out our most useful products, many billions of dollars worth of them. Our own people have been suffering for the need of these things, but we had to send them abroad, because we needed the foreigners' paper promises. Now the debts amount to a sum so great that all the gold in the world won't pay them, and we cannot take the equivalent in goods, because that would stop the rest of our factories, and throw everybody out of work.

And yet we insist that the debts must be paid! The ridiculous Hearst newspapers and the moron "Saturday Evening Post" go on clamoring against the foreigner, building up a propaganda of hate. And the poor foreigner, who "hired the money", in the choice lingo of Cautious Cal, now gazes at his creditor in bewilderment. Of course it is easy for the debtor to recognize the impossibility of paying his debts; but how difficult for the creditor to realize that his dream of world mastery has exploded! The owning classes of America had devised a perfect system, whereby the workers of the world were to toil to make luxury for them for all future time; and now they have only one problem, which they find insoluble—they don't know what to tell the workers to make, and don't know what to do with the stuff when it is made!

Thirty years ago I suggested a solution of this problem, which would have saved the system if it had been

adopted, and might still save the system if the masters would make haste. Let them order all the surplus workers out into the waste places of the earth, and there build them labor camps, well provided with bread and circuses, or the modern equivalent, beer and radio; let them set the workers to digging deep holes in the ground; and when the workers have finished each hole, let them fill it up again. The more modern excavating machinery and the more gasoline they consume in the process, the higher will be our type of civilization according to the standards now prevailing.

For years we have seen world diplomacy in a turmoil, our creditor governments going through the agony of realizing that the war debts could never be collected; and now we are facing the agony of realizing that the private debts owed by foreign governments can never be collected. The Bolsheviks put us through such an agony fifteen years ago; but then, they are international outcasts and outlaws. Our respectable capitalist nations would never do such a wicked thing as repudiate their just and lawful debts. What they will do is the respectable capitalistic thing of paying the interest, provided the creditors lend the money for the purpose. This courteous arrangement will continue for as many years as our international bankers, who get a big rake-off on each transaction, can persuade the investing public to take the bonds.

My guess is that Hitler will be the first to announce that his country cannot pay anything it owes abroad. For Hitler has to do something to satisfy the German people, and that is the only thing he will be allowed to do by the

big German manufacturers who subsidized him and paid for his new brown shirts with hooked crosses on the sleeves. What nation will be next I can't guess; maybe Hungary, because it is so poor that it can't expect any more credit, or maybe France, because it is so rich that it doesn't need it. Anyhow, the foreign bonds are sliding, and foreign trade is on the way to extinction.

My own advice, Perry, is that we should forget it, and settle down to the question which concerns us Americans, how to make our own country a fit place to live in. Let us use our capital to develop our own powers of production, and provide work for our own people. Let us establish our productive enterprises as public services, as today we provide postage stamps and fire protection and education and other necessities, with reasonable efficiency and satisfaction to our people. Let us wipe out that tribute which industry has to pay to exploiters and speculators, and set the machines free to serve us all on equal terms. Let us guarantee to every worker the equivalent of the full value of his labor, upon principles which are shortly to be explained. Then we shall discover that our people are buying all that they are producing; or, if we have a surplus, we shan't have to worry, and above all we shan't have to seek foreign trade in order to keep our own people from starving to death. We shall simply reduce our hours of toil, and follow the example of the dwellers on the tropical island, playing the guitar, which is art, or exploring the island, which is science.

Above all, we shall be able to stay at home, and mind our own business, and not be mixing in quarrels, and

gambling ventures in other lands. We shall set other peoples such an example of peace, plenty, and happiness, that they too will proceed to dethrone their exploiters and speculators; after which we shall be able to trade with them in a new fashion, on a free and equal basis, taking those things which they can make better than we can, and sending in return whatever we can spare.

But meanwhile, here is capitalism—and what are we doing under that system? The exploiters of the Japanese people are invading China, and taking possession of large parts of that country, in violation of pledges solemnly made before the world. Our American government has set its face against that procedure and refuses to recognize Japanese claims to Chinese territory. But what do our own exploiters say to that? One of the biggest nitrate factories on the Pacific coast is working day and night, shipping its entire product to Japan; all cotton grown out there is going to Japan: the combination of these products makes explosives which will destroy Chinese cities and kill Chinese people, against the declared will of our government. One of the great banks in Los Angeles is financing these deals—but that is not treason to our flag, and no great bankers will go to jail for it!

All over the world it is not treason for great bankers and munitions dealers to contravene the policies of their own countries. Today the munitions trusts of France and of Czechoslovakia are selling their products to the enemies of their countries; even during the World War French munitions found their way into Germany through neutral channels, and that was not treason, merely busi-

ness. There were understandings at army headquarters of France and Germany that certain munitions plants and steel plants were never bombed or destroyed, because the stocks of those concerns were owned in the other country, and it is more important to preserve the property of your great bankers than to preserve the lives of your soldiers in the trenches.

It is these munitions trusts which are the main promoters of the war system, and of propaganda for it in all countries. They are doing just what they did before the World War—hiring journalists and newspaper proprietors in foreign countries to publish attacks upon their own country, to make it easier to persuade the parliament of their own country to vote more expenditures for armaments. Both Krupp and Creusot did that before the war, and just recently Skoda of Czechoslovakia was involved in a scandal in Rumania. There is no devilment in the world that the great vendors of mass murder will not perpetrate, and the people are pitiful pawns in their hands, led out to slaughter by the millions.

And if they try to rebel against this devilment, and to save themselves, what then? They are beaten and tortured by hired ruffians, as we saw a few years ago in Italy, and are now seeing in Germany. Many of my friends think me a dreamer, Perry, because I imagine that in such a world there can be any decent solution of our social problem. And maybe my hopes will prove vain; maybe you won't pay any attention to me, and our democracy will be overthrown, and a Fascist dictatorship set up, as in the countries of Europe. But I was brought up to have

faith in this land, dedicated to freedom and to government by popular consent; and whatever influence my pen may have will be devoted to pleading that cause, up to the last moment I am allowed to be heard. That is my idea of what it means to be an American. Will you meet me on that ground, or are you going to set out to subsidize the Fascists of America?

LETTER V

MY DEAR PERRY:

Another method by which our troubles are supposed to be ended is inflation; which brings up the complicated subject of money.

Money is not wealth, but a device by which wealth is exchanged. Any one can get this point by imagining that the tropical island portrayed in my Letter II was a desert island, producing no food. Our castaways would starve to death, regardless of the fact that they brought on shore a chest full of greenbacks and gold.

Money as a medium of exchange is like a yardstick as a means of fitting beams into a house. If the yardstick changes in the course of the process of building the house, none of the beams will fit, and the building will be a botch.

But our money changes every day. Our basis of value is gold, which is an object of speculation. Large quantities of it are hidden away, and when the price rises, these quantities are brought out. Also nature has hidden gold in the earth, and when new discoveries are made, the value of gold drops. So it comes about that a man who borrows a thousand dollars on a mortgage may find that when the payment is due he has to pay much more than he got, or much less. In a society like ours, divided into a creditor and a debtor class, this makes a perpetual strug-

gle; an effort on the part of the debtors to reduce the value of the circulating medium. Since most of those who read my books are debtors, it comes about that few days pass without my receiving in the mail one or more manuscripts, pamphlets, or books, from persons who have a plan to save the world by making more dollars and thus reducing the value of those already existing.

Assuming for a moment that you, Perry, are going to save the profit system, it should become a matter of extreme urgency to you to abolish the injustice brought about by the gold standard. The American farmer who borrowed a thousand dollars four years ago to finance the purchase of wheat land or cotton land, now finds that he has to pay back the debt with three times as much wheat or cotton. This manifest injustice has broken the back of American agriculture. The process of remedying the injustice should not be called inflation, but reflation.

The sensible way to bring this about is to replace the gold standard by what is called the measured dollar. The value of the dollar should be fixed by a certain quantity of ten or twelve of the principal commodities. The Government should issue currency and credit sufficient to keep prices at an average level, and thus one of the principal elements of speculation and waste would be eliminated from the capitalist system. It would be a simple thing to do. The difficulty arises from the opposition of the creditor class, which is not content to take a pound of flesh from the body of the producers, but wishes to measure that pound on dishonest scales.

It appeared at the outset that President Roosevelt and his Secretary of the Treasury were determined to protect those dishonest scales. They proposed, not to reduce the value of the creditor's dollar, but to reduce the rate of interest on farm mortgages and home mortgages, and have the government make up the loss to the creditors. It is the same old scheme, to which I have referred, of getting rich by picking one another's pockets. Each class of us is going to pick the pockets of all of us taken together. After every class has succeeded in getting its share, we shall all be exactly where we were before, except that we have wasted a good part of our energy in pocket-picking, instead of devoting it to production.

I have said enough so that you will understand my point of view regarding the government's taking over the debts of capitalism. We are going to take up several billion dollars worth of farm mortgages and several billions of home mortgages. We have already loaned billions to unsound banks and broken-down railroads. Now the life insurance companies are in trouble, and have been authorized to break their contracts with their policyholders, and presently we shall have to make loans to prop them up. We are going to lend billions to the states to feed the destitute, and we are going to issue somewhere between six and eight billions of bonds for public works in the effort to start up industry. All this is like giving a shot of dope to a sick man. It braces him up for the moment, but in the end his condition is worse than before. All our troubles are caused by the mass of heaped-up debts, and to have the government take these debts over is

simply to saddle the whole community with the burdens which the capitalist class can no longer carry.

The time will come when the government can no longer carry them either. We shall suddenly realize the fact that the credit of the government is simply the credit of individuals and corporations lumped together. Those who are individually unable to pay their debts, will discover that they are unable to do it collectively. When that time comes, we shall know what a real smash-up is.

It is important to get clear that the program of government bond issues without limit is really inflation. Only about 1% of the money we spend is gold and silver, and another 1% is greenbacks. The remaining 98% is credit. Personally I suppose that for every dollar's worth of currency which I carry around in my little ten-cent pocket-book and spend in stores, I spend one hundred dollars by means of checks. So if the government were to start printing greenbacks and spending them for all its purposes, the process could go on for quite a time before it affected the bulk of my buying and selling.

Other theorists have suggested the idea of reducing by law the amount of gold in the dollar. This would reduce the value of the dollar in relation to the rest of the world's money, and would be a very good thing for our foreign creditors and our exporters. But I doubt if it would affect prices inside our country, because we no longer have any gold, and are forbidden by law to get it.

What makes inflation in these modern times is for the government to float huge issues of bonds and to take this money to buy commodities and start business enterprises.

We did this during the war and we certainly produced a boom and raised prices. The government is starting to do the same thing now, and will have to do it faster and faster—just as a physician has to give more and more strychnine to a patient whose heart is failing.

The government is now buying boots and khaki uniforms for men who are going into the forests to plant saplings. This will make business for manufacturers of boots and clothing. The government is going to feed these men, and that will make business for the farmers. This will cause both manufacturers and farmers to go into the market to buy supplies and raw materials, which in turn will make business for other dealers. All the workingmen in these various industries will have new money to spend, and this again will help farmers and manufacturers. The process depends upon one thing, the amount of money the government is spending and the quantity of supplies it is requisitioning.

Let us suppose that in the course of this year the government will come on the market to the extent of ten billion dollars. A lot of the money will be wasted, just as it was in war time; but such is our crazy system. We have to destroy goods, in order to make necessary the production of more goods. As I have stated, we could do it if we set men to digging holes in the ground and then filling them up again.

We spend ten billion dollars. The question is, what relationship does ten billion bear to the amount of business we were doing in so-called normal times? If our industry has fallen off twenty billions from normal times,

then we are only spending half enough, and the doctors and nurses must come running and shoot more stimulants into the ailing body.

Of course there will enter the element of psychology, which I explained some time back. We have a swarm of newspaper writers, radio orators, and politicians anxious to hold on to their jobs, and the moment there is the least sign of new activity, they take hold and try to build a boom. Wall Street speculators will wake up, the telegraph wires will burn with orders from ranchmen and barbers and messenger boys all over the country eager to get in and make their pile in the rising market. So it may be that ten billion dollars will be equal to twenty billion or thirty billions of new business activity.

But how long will this process last? Will it last as long as the period from 1920 to 1929? My guess is that it will last only two or three years because it will be a wholly artificial thing with no economic reality in back of it. There can be no foreign trade for the United States any more, except by the extending of new credits to nations which have already proved their inability to pay. As to domestic trade, the people will be spending money which the government lends them; or they will be lending it to the government and having the government spend it for them. As a means of undermining our finances, this is even more effective than the system of installment selling, whereby we helped to prepare the series of panics of the last four years.

The determining factor will be, in the future as it is now, the accumulated mass of debts. Shall we be doing

anything to reduce these debts? No, we shall be increasing them, and so our next stage will be worse than ever.

Supposing that we wanted to reduce the mass of debts, how could we do it?

First, instead of borrowing the money for public works, the government could print money and put it into circulation. In the course of time this would depreciate the currency. Let us say we carry out this process until the dollar will buy only half as much as it buys today. This means that we shall cut the property of every creditor by fifty per cent, and cut the obligations of every debtor to the same extent. That will be real inflation, and will produce a real boom, which should last quite a while. Inflation favors production, because the manufacturer buys his raw materials and his labor at a certain price, and by the time he has the goods ready for sale, the price has increased. Knowing this, the factories start up, and in anticipation of the profits, the prices of stocks start up.

But meanwhile, the forces in our society which have brought about the congestion, drawing all the wealth into the hands of one class, will still be operating, and in a few years we shall be in the same state as now. The privileged class will own the stocks and bonds, and the debtors will owe the interest, dividends and profits. So we shall require another shot of inflation.

Germany wiped out her internal debt by destroying the value of the mark, and that wiped out her middle class. Now ten years have passed, and we see how much prosperity there is in Germany. France wiped out eighty per cent of her internal debt, and by that means escaped most

THE WAY OUT

of the troubles which we have had during the past three years. But now the automatic process of wealth concentration is bringing the same result in France—unemployment, deflation, and social discontent. England deflated the pound by about thirty per cent and has thereby been able to stop the increase of unemployment and hold her own for a year. Very soon the effect will wear off, and there will be more inflation—for the simple reason that the propertied classes would rather lose a part of their property by inflation than lose it all by complete collapse.

America is sliding down a chute built on exactly the same pattern. It has places where you can rest for three or four months, or for a year, but finally you get shaken out of that place, and down you go. It doesn't make much difference how ardent may be the faith of President Roosevelt and Secretary Woodin in the gold standard. The last panic shook us off the gold standard so far as concerns our domestic affairs, and the next panic will shake us off so far as concerns the outside world. We shall start inflating—and the only question we have to decide is: for what purpose shall we use this inflation? For what shall we spend the new money? [The above was written on April 14, and five days later we got shaken off.]

Hoover used the government credit to turn over enormous sums to railroads and big corporations, and especially those banks whose directors were in the cabinet or prominent in the Republican party. Thus Charlie Dawes got ninety million dollars for his chain of banks in Chicago. President Roosevelt promised to remember the forgotten man, and has taken a few timid steps in that direc-

tion. But so far the Muscle Shoals project is the only sign he has given of an understanding of the true way out of our troubles.

To give away government money or credit, whether it be to great banks or to unemployed workingmen, is charity, and therefore economic waste. Any plan whatever of relief whereby the owning classes are left in possession of the means of production is economic waste, and a step toward the next panic. The only remedy which has any meaning is one whereby the community as a whole comes into possession of the natural resources of the country and the means of producing useful goods.

And that is the basis upon which we must judge inflation. If we inflate as a temporary measure to avert breakdown, we are merely sowing the seeds of another and more serious breakdown. But if we inflate to get the means to acquire industry, then at last we are serving the public welfare and groping our way out of the economic fog. Nothing would please me more than to see the government take over the railroads of the country and pay for them with newly printed money. This would be "tit for tat", because most railroad securities were made out of water in the beginning.

We shall grope our way, more or less, blindly; and here is the magic clue by which you can judge each step, as to whether it is a helpful or wasteful one. Every time the government is spending a dollar, ask whether it is spending the dollar for goods or for the means to produce goods. If the former is the case, the money is wasted. If the latter is the case, the money is saved. I make this state-

ment without qualification. I don't care what it is that the government needs, the government should make it, and only buy it in case of momentary emergency.

The government is sending unemployed men out to plant forests for us, and that is a constructive and socially helpful action. But when the government buys shoes and khaki uniforms for these men, it is a socially wasteful action, because the government should buy clothing factories and shoe factories, and never again pay a profit to a private contractor for such a service. The government will have to buy food from our farmers, because the government has no farms; but just as quickly as possible the government should set up those gigantic institutions which in Russia are called grain-factories. It should take over all that land which the banks have taken away from ruined farmers, and bring those same farmers back to the land which they know how to till, and make them public servants, secure in their jobs, and proud of the fact that they are rendering a vitally important service to the community. That will be real progress, and permanent progress, and will put our social system upon a solid foundation of coöperation and mutual aid.

LETTER VI

MY DEAR PERRY:

You understand by now my point of view, that the concentration of wealth in our society is an inescapable consequence of the system of private ownership and competition for profits. Like a diseased body, we are killed by the poisons of our own generating. The disease gets worse and worse every year, and the only remedy which will have permanent effect is to abolish private ownership of industry and production for profit, and substitute public ownership with production for use.

Here we have this enormous machine, the most perfect ever constructed in the history of our planet. Taking our own country, which is enough for us to deal with, we have natural resources without limit so far as concerns the immediate future. We have the skilled labor, we have the willingness to work, we have a government which preserves order and protects property—in short, we have everything necessary to a prosperous and happy communal life. Our problem is to take all this productive machinery and make it into one machine: to organize it and systematize its processes, making one process with one purpose, the production of all the necessities and comforts desired by our people, and the distribution of these upon a basis of justice and fair play.

Will you, Perry, say that you are unable to conceive of

such a task? Will you say that the collective intelligence of our directing class would be unequal to it? As you know, we now have one great corporation which handles the whole telephone business of the United States. We have two corporations which handle our telegrams, and any one will admit that, but for the element of price competition, it would be more economical to have one telegraph company. We have many steel companies, but only one big one, and any steel man would admit that, but for the element of price competition, we could save a great deal of money by having one national steel trust.

We have one post office system and one express system. Why would it not be possible to have one banking system, one system for producing shoes, one system for distributing groceries to the people, one system for growing cotton and another for growing wheat? Does not your business mind immediately begin to grapple with the problem of forming such an organization in your own line? Does it not begin immediately to see all the wastes that could be cut out, the duplications of office buildings and clerical staffs, the wastes of competitive advertising, of competitive salesmen, of competitive shipping organizations? It doesn't make any difference whether you take two big concerns like Postal and Western Union, or whether you take two dairies or two laundries in a town, each with its rival delivery wagons in the same block, each with its competitive circulars littering our doorsteps and front lawns.

Some thirty years ago an American engineer, Sidney A. Reeve, published a book called *The Cost of Competi-*

tion", in which he studied this entire problem of waste. He did it thoroughly, as an engineer, with graphs and charts. Later on he published a colossal work of nine hundred pages, which I have never seen, because it cost something like a dollar per page. But I know the results of his study, that in our competitive society the total energy wasted is seventy per cent. For every dollar's worth of effort which we make, we get thirty cents' worth of results. Before he was president, Herbert Hoover appointed a Committee on Waste in Industry, which brought in results only a little less startling.

You see what this means. If you take our whole system and eliminate the competitive elements and rationalize everything from top to bottom, as our production engineers understand how to do, we should with the same amount of labor have something more than three times the amount of wealth per capita; in other words, we should need to work less than one-third as many hours, which means that our working day would be two or three hours.

As a Socialist, I have been accustomed to tell my readers and audiences that in a coöperative society every man, woman, and child would have the equivalent of \$5,000 a year income from the labor of the able-bodied young men for three or four hours per day. I was rarely believed, but I always said that I would take care of my health and live to see it. I remember some twenty years ago hearing Sidney Reeve make the same prophecy before an audience at the Liberal Club in New York. He told exactly how the present system was going to crack.

and when he portrayed one failure bringing on another failure and one collapse another collapse, that audience of supposed-to-be radicals began to titter, and finally laughed heartily. I don't know if Reeve is still alive, but here is his series of collapses, and audiences in New York City do not find them so laughable.

Recently have come the technocrats, who have collected figures concerning the new processes, and they tell us that one or two hours a day will suffice. It appears that Howard Scott was too optimistic in some of his estimates. He took things which had been done in one or two of the best plants, and applied these figures to all the plants, and so the collective stupidity of our capitalist newspapers has temporarily put him out of the lime-light. But meanwhile the processes which Scott analyzed are going right on. Less than six months ago he made the statement that if present tendencies continued unchecked, 12,000,000 unemployed would have increased to 24,000,000. Now I see that "The Business Week" estimates our unemployed at 15,000,000, and the Labor Research Association raises the estimate to 17,000,000.

Whether a modern "straight-line" brick plant can turn out 300,000 bricks per day as Howard Scott said, or a fraction less, as his enemies said, makes very little difference. We are only at the beginning of the process of perfecting our industry, and any man's estimates may be out of date next year or next month. The certain fact is that we have developed only a small part of our production powers, and are able to use only a small part of what we have developed: our steel plant working at

twenty per cent capacity, our automobile plant thirty-two per cent, and so on. Let us make them all into public service institutions, and run them one hundred per cent, and then make all the improvements we can, and cut down our working hours and increase our income to whatever extent we find possible. That is a simple, common-sense proposition, and I am firm in my faith that our engineers will ultimately come to understand it, and that a considerable part of our business men will help the government in putting the job through.

There are two questions to be settled, or rather two groups of questions. First, how are we going to get the industries; and, second, how are we going to run them?

Before we can acquire the industries, it is necessary to have the will to acquire them. That is a matter of education; the job is being done for us by capitalism, which is squeezing the life out of our people, and eliminating more and more of them from industry, making it inevitable that sooner or later they will rebel.

For our leaders, the need is, in part, of understanding and, in part, of courage. Men brought up in a certain system inevitably try to continue in the old way. It means a sharp break with the past and a brand-new idea in the mind of a statesman like President Roosevelt. He has been trying to save business and restore it to its feet, and now he has to say: "I will wipe it out of existence and replace it with something better." The difference is fundamental, and there is no reconciling the two procedures.

For example, Roosevelt has just asked Congress to appoint a Tennessee Valley Authority to take over the

Muscle Shoals plant and run it as a public service. Immediately there come before Congress the heads of all the private power plants in the South and point out that the result of this procedure will be to break the private power companies and render their stock worthless. This statement is absolutely true, and it applies to every step in the new path which the Government can take. If Roosevelt goes ahead planting forests, and if he makes economic use of these forests for the people, he will break the private lumber companies. If he takes over any bankrupt railroad and runs it in the public interest, he will wipe out all the competing railroads, and ultimately will have to take over the entire railroad system. If he permits postal savings banks to carry checking accounts, he will break the private banks. If instead of buying food and clothing for the unemployed, he puts them to work making their own food and clothing, he will find that all his efforts to raise prices of farm products will fail and he will have to socialize agriculture.

And so on into the tiniest cranny of the profit system. It is obvious why a statesman shrinks from embarking on this course, and it is also obvious why the masses, the bankrupt farmers and unemployed laborers and white-collar workers, should clamor for this same action.

Let us assume for the balance of our argument that conditions have got bad enough, and the clamor of the people loud enough, so that Roosevelt decides to put through the new job. Just what will he do?

The answer depends, in part, upon how long he has

waited. If he waits long enough, his job will be to hold the police and troops off while the workers go into the factories and start the machinery to running and distribute the products among themselves. The government will have nothing to do except to keep the railroads working, to bring food from the farms and take back the products of the cities. Of course, the government may refuse to do that, and elect instead to shoot down the revolutionary workers. In that case, we shall see what we have just seen in Germany, a Fascist counter-revolution. After another interval, and more social convulsions, we shall have a Bolshevik revolution, after the pattern of Russia. I am not advocating such a series of experiences for our country, but it is one of the possibilities, not to be overlooked in any discussion.

For the sake of the argument, grant my assumption that we make the change by popular consent. There comes another bank crisis so severe, another moratorium so prolonged, that the President realizes the capitalist system is finished. He declares the postal savings banks open for all sorts of accounts, and invites the people to bring in their money. By this means the government can have billions of dollars at once, and for only two per cent interest.

The effect of this is, of course, to destroy the value of bank stocks, and cause the stockholders of banks to favor government ownership. I have observed, Perry, how the most ardent advocates of rugged individualism suddenly become converted to government ownership when their industries no longer pay. Private interests built a canal

across Cape Cod, but when they discovered that it filled up rapidly with sand, and that not enough vessels came through it, they decided that canals were public highways and should be socialized—at a good price. If it had not been for the generosity of the government in ladling out funds to bankrupt railroads, we should have seen the executives of several railway systems converted to this same idea.

The government would take over the banks at the value of the bank stock then existing, which would be very low. All my thinking life I have been insisting that for credit, the life-blood of industry, to be under private control and used for private gain, is the greatest of the crimes of our system. By taking control of credit, the people would strangle monopoly at its source, and take possession of the whole future increment of industry. The government would be in possession of huge sums of money, which it would use in buying industry at the then existing bargain prices. If anybody held out for too high a price, the government would declare its intention to compete that industry out of business, and the stockholders would quickly see the new light.

At the outset, the government should take only the principal industries, those which are essential to the social welfare, and especially those which have been holding up production. The President could obtain from Congress the right to take over all private industries which are unable to employ more than a certain percentage of their workers. The one essential is that everybody should be put to work, and that the goods should be produced

which are necessary to the health and happiness of every person in the community. Provide work for all, and pay them adequate wages, and they will go to the stores and create a market for all products.

The great public service corporations present a special problem, for the reason that they have been accustomed to control our government, and own and run the political machines in most of our cities and states. They have not suffered so much from the depression, because they have a strangle hold upon the community; through their control of public commissions they have been able to keep up rates and protect themselves. The answer to them is found in the Muscle Shoals project. Once they realize that the government is determined to compete them out of business, their resistance will weaken.

Fundamentally, the problem is one of mass pressure. Let the people decide what they want, and they can get it, and nothing can stop them. We saw it happen in war-time, when the government declared a public emergency and took over the railroads and munitions plants. Now we have another kind of war, a war for the salvation of our people from starvation, and of our country from civil strife and revolution, and we have exactly the same need and the same right to act.

You have heard me attributing all our troubles to the piling up of debts; and now you hear me propose that the government shall proceed to purchase industries, paying the market value of the stocks and bonds, and thus assuming a burden of debt unprecedented in the history of the world. How will this remedy our trouble? And

how can the government expect to pay the interest on such a sum?

I have been asked this question a thousand times; in fact, I doubt if I ever argued the question with any one that this difficulty did not come to the forefront. The reason is a failure to understand the difference between the operation of industry for profit and its operation for use. Even the Socialists themselves don't always realize it.

Under the profit system, industry is paying to the private owners a mass of tribute, entirely undetermined, and the moment industry starts up again, the amount of the tribute rises. But under the system which I am proposing, the amount of the tribute is nailed down once for all, and can never rise. And that makes all the difference there is.

Assuming that my plan was adopted, and the owners of industry compensated by government bonds, how would production be affected? All workers in the community would have to work a certain period of time each day, in order to support a large number of persons in idleness. But this would be of relatively little importance, because the workers would be free to work for themselves as long as they pleased, and for that part of their work they would receive the full value of their product.

In explaining this little catch, Perry, I think of those puzzle pictures in which there is a cat hidden. The first time you look at the picture, you don't see the cat, but when once you have seen it, the cat becomes the only thing you can see.

At present the workers are serving private owners all their working time. The private owners pay to each worker a competitive wage, that is, the lowest price for which any one can be found to do the work. Since under our system there is always a superfluity of workers, a competitive wage means that each worker gets what it costs him to exist. That keeps down his purchasing power, and the total purchasing power of all the workers is far from enough to buy what industry can produce. Therefore, production is held down; the competitive wage system acts like an iron ring fastened about the neck of industry, strangling it.

But when you abolish private ownership and set up production for use, you break that ring. The workers collectively own the machines, and they are free to work as long as they please, and after they have paid the fixed tribute to the former owners, they get the full equivalent of what they produce and thus they have the money to buy what the other workers have produced. So production goes on without limit, and no one is out of a job, and any one can get whatever he wants by earning the price of it.

Consider, for example, the steel industry as it is today, working at twenty per cent of capacity. It is the bondholders who have the first claim upon the industry, and the profits on that twenty per cent of production are barely enough to satisfy the bondholders' claims. But if the steel industry were socialized, it would immediately start working at one hundred per cent of capacity, and twenty per cent of this production would go to satisfy the claims of

the bondholders and the rest would belong to the steel workers.

To put it another way: Under our present system the private owners take all the risks and get all the profits they can. Since they are in the position of advantage, since they have been permitted, by the use of clubs and machine guns, spies and provocateurs, to keep the great mass of the workers from organizing, they are able to take to themselves practically all the benefits of prosperity. But under the new system they would be nailed down to a minimum, and the future wave of prosperity would benefit the workers and the workers alone.

Excuse me for reminding you of a painful incident, Perry: how some years ago you had a great strike in your plant. You yourself did not use any clubs and machine guns, but they were used on your behalf, and your workers' demands for higher wages were not satisfied. The workers, having had many such experiences, are distrustful of you and your group, and many of them will ridicule me for taking the trouble to appeal to you. But I have noted that it is possible to alter the balance of a pair of scales in one of two ways, by putting more weight into one pan, or by taking weight away from the other pan. To vary the simile, you can increase a fraction either by adding to the numerator or by taking away from the denominator. I am here seeking to mitigate the class struggle by diminishing the resistance of the owning class. I believe that you, Perry, understanding what is the matter in our society, will feel less secure in your moral position, and will be less quick to resort to clubs and machine guns.

Throughout the workers' movement there has always been a struggle over the question of compensation for the owners of industry. I recall a generation ago a debate in "Everybody's Magazine" in which Victor Berger favored compensation and Gene Debs demanded confiscation. The reason I favor the former is for plain business reasons. To dispossess the private owners by force would mean great losses, perhaps civil war and the destruction of our productive equipment. Certainly it would mean much disorganization, delay, and failure of production. I know that it would be cheaper to pay the owners the market price and let them retire in peace and dignity. It would mean that we would be working perhaps an hour extra every day, in order to keep them in luxury; but after the change was over, it would be a simple matter to pare down this share of parasitism.

Take yourself as an example, Perry. You have a double share from your industrial plant. You receive a salary as an executive and you receive dividends as a stockholder—or at least you did in the dear dead days beyond recall. Assuming that you were willing to help the government to establish the new system, you would receive the same salary as an executive, but you would no longer be a stockholder. Instead, you would have government bonds, and the first thing you know you might be called upon to pay an income tax on those bonds.

This might not trouble you so much, because in the meantime you would see a new world about you. You would realize the infinite advantages of the new system. You would like your job, and feel secure in it, and would

no longer have to fret your life out because of inability to get business and to make profits. Is there a single man of your acquaintance who would not be happier as an official in an industry removed from all danger, and able to pay abundant and generous wages to all its employees, and never having to use machine guns or clubs, never having to advertise its products untruthfully, always certain of a market for its full product, and open to every new suggestion for improvement which the inventive mind could suggest?

You would find also that your bonds were subject to an inheritance tax when you died. You might be forbidden to sell them, and you might be allowed to pass only a small percentage of them on to your children. At present you are working hard to earn a fortune for your children, and your motives are two: you want them to have the same control of the industry that you and your father had, and you want them to be secure in a world of economic chaos. All of which is perfectly understandable.

But in this new world we are going to make, you will discover that not merely the children of the rich but every child in the community is safely cared for. There are pensions for all orphans and for all the aged and incapacitated. If any man in your industry is sick, he is sent to a hospital or a sanitarium, and he there receives as good care as you can buy for him with all the money in the world. You yourself will have a retiring pension long before you need it. Seeing all these things, you will set less value upon your bonds, and have less desire for an unearned income. You will realize that it is much better

for every person capable of working to have some work to do; and some day you might come forward and say there is no more need of unearned income for any able-bodied person. We could then pass an income tax of one hundred per cent and an inheritance tax of one hundred per cent, and wipe out every trace of parasitism in our society.

LETTER VII

MY DEAR PERRY:

I assume now that we have our principal industries in the hands of the government, which is prepared to run them as public services. Just how will they be run?

This is like asking what will be the map of Europe after the next war. No one can be sure what nations are going to fight the next war, and after it starts no one will be sure which side will win. The map of the Industrial Republic on the North American continent will depend upon many factors, one of them being the response you make to this letter. You, as a member of the ruling class, are now making the decision as to whether we are to have a peaceable social change in the United States, or whether we are going through a period of Fascism, followed by civil war and Bolshevism.

In thinking of our fifteen to seventeen million unemployed, you might bear in mind that it is not quite the same thing for a man to be out of work now as it was three years ago. Then our people had an enormous reserve fund in the form of savings. A part of this fund has been locked up in the bank failures, and more has been used in taking care of relatives and friends in distress. Millions of families have lost their homes and their farms. Millions of other families are existing upon the labor of one person, and when the last job goes, the whole family

is gone. Our people are living now on their flesh and not on their fat.

To imagine that our people will suffer this indefinitely is to be very dull. Just now they are waiting, because a new president has promised them a new deal. Neil Vanderbilt told me of a talk he had with Roosevelt in which the latter said, "How long will the people give me? Do you think they will give me six months?" Six weeks of that time has passed as I write, one-fourth of the total, and there has been no change for the better. The Communists are preparing another bonus march on Washington, and will Roosevelt use bayonets and tear gas bombs on women and babies as Hoover did? There must be action, real and effective action, very soon. Some day before long in one of our states a radical governor will lay down the law that the factories have to open, and will start commandeering those which do not open. When that happens, President Roosevelt will decide whether or not to send in Federal troops. It is by decisions such as this that our future is to be determined.

If you, Perry, and your fellow capitalists harden your hearts and continue your policy of bayonets and poison gas bombs, you can have your way for a time, because the workers are unorganized and untaught. You can keep them unorganized and untaught for quite a while, as the steel trust has done. You can start a Fascist movement here as Mussolini did, upon the money which Wall Street bankers supplied to him. You can subsidize a horde of brown shirts, as the big industrialists and landowners of

Germany did, and you can commit the same crimes against liberty and common sense that we now see Hitler committing. You can overthrow the American democracy, and set up in politics the same system of autocracy which you have in our industrial affairs.

But the one thing that you cannot do is to feed the people and give them jobs under the profit system. Mussolini has not been able to do it. Real wages have gone down in Italy ever since he took power, and unemployment is greater there today than ever before in the country's history. The same thing will happen in Germany—unless, of course, the radical wing of the Nazis gets its way, in which case the country will move toward Communism, regardless of the fact that the Communist leaders have been tortured to death. You can torture a million men to death but you cannot torture a single idea to death.

So it will come about, in Italy, in Germany, and in the United States, that the starving masses, divorced from ownership of the earth and divorced from jobs and hope of progress, will revolt. They may not succeed the first time, but sooner or later they will succeed. Every now and then, Perry, I meet one of our captains of industry who takes a haughty attitude, declaring that the mob can be held down forever. I ask him, "Do you think you can be more cruel than the tsars of Russia were?"

If you behave like a tsar, you will bring on a Russian revolution, and councils of workers and farmers will build a new industrial state without any assistance. That is the final goal in any case, and the only question is the

quickest and easiest way to reach it. I am pleading that we should travel by the road of mutual understanding; and assuming that that happens, assuming that you and your fellow captains of industry consent to socialize business, how will it be run?

In New York and thereabouts they have a public body known as the Port of New York Authority, which has charge of public improvements and sanitation in connection with a great harbor shared by two states. Just recently we established the New York Power Authority, to deal with the St. Lawrence project; now the President is establishing a Tennessee Valley Authority. I like that word "authority", because I believe in organization and order in the developing of our productive capacity. Why should we not have a steel authority, an oil authority, a coal authority, a railroad authority, and so on? Why should we not have a Peace Industries Board, a council or corporation overseeing all these various great industrial trusts?

Just after the war it looked as if America was beginning a régime of public ownership, and the railroad men of the country brought forward a project known as the "Plumb Plan." Plumb was attorney for the railway brotherhoods, and he and the brotherhood chiefs worked out a project for the nationalization of the railroads and their conduct by a board, in which the brotherhoods, the bondholders and the Government should have equal representation. It was an admirable plan, and in his book Plumb shows how under our present Constitution the state governments could take over the coal mines and

various other industries and organize them along the same lines.

What share the workers in an industry should have in the managing of it is a question for discussion. Certainly it is the workers of a factory who know about that factory. The Russians are proving that to be true. They have also found that it is better to let the workers in the factory take charge of their own supplies of food and merchandise. Every great factory in Russia runs its own coöperative stores and communal restaurants, schools, creches, clubhouses, picture shows, newspapers, and so on through a long list. Such local self-government is directly along the lines of our American tradition. Just as we have managed to leave local affairs to a town, a county, or a city, and to reconcile these various interests with the interests of state and nation, so we shall do in industry. As a great trust conducts its affairs with each of its plants, and as each department in the plant has its own book-keeping system, so in our Industrial Republic.

Our changes will be as few as possible, and only for the elimination of waste. The workers will get their pay as at present, and they will spend it for whatever they please as at present; the only difference will be that they will get very much more pay, and prices will be very much lower. They will have security in their jobs, and pensions for old age, disability and sickness. Women will have maternity allowances—you don't have to trouble to work all those things out, because the Russians have been kind enough to save us the trouble, and all we have to do is to look and see how things are working there. Some

plans failed, and we won't have to try them again. Others have succeeded, and little by little our people are finding out about them.

Thirty years ago when I began discussing these questions, it was all speculation, because there had never been a Socialist government in the world, and one man's guess was as good as another's. It always seemed easy to me because it was a question of common sense. I said: "What would any group of intelligent people do if they had an industry to run for their own benefit? How would they solve the problems of coöperation, to get the necessary amount of order with the least interference with personal liberty?" Now I find it interesting to take my old-time book, "The Industrial Republic", and read over these chapters, and compare my guessing with what has actually been worked out in Soviet Russia during the past fifteen years.

The Russians started upon a far lower level than our own people will start. They had very few industries, and these few were under foreign management. They had been ruined by four years of war, followed by revolution and two years of civil war. Their peasants were ignorant and benighted beyond anything we can conceive, and their workers were unskilled and oppressed. Of course they made many blunders, and went through dreadful suffering, all of which has been fully exploited in our capitalist press. To me it is the miracle of history that the Soviet Government survived at all.

It is the first time that any nation has been able to build up modern industry out of its own resources. The

industry of England has a growth of one hundred and fifty years, and our own is a century old. We had loans from abroad, which meant that we got machinery and supplies of every sort; a statement which applies to every one of the capitalist nations now competing with us in the industrial field. The Russians have had to do it entirely without loans, paying as they go. Of course they have been poor in the meantime. They have endured more than we can imagine. In fifteen years by their own labor they have built up their huge industrial "giants", and now they are learning to run them, and very soon the flood of products will be pouring forth. The last step of all was the socializing of the land, and now they are learning to run their coöperative farms, and unless I miss my guess they will soon have food in plenty. After that it will no longer be so easy for the capitalist newspapers to fool our people.

I am not advocating that we should have our change in the Russian fashion, or that we should swap our constitution for theirs; but insofar as they have tried experiments in the new way of life, we can see what is succeeding and what is failing. They tried out complete Communism—"from each according to his abilities, to each according to his needs", and they proved that human nature is not ready for that ideal. They tried in many factories the experiment of equal income for all workers and they found flaws in that. I know of but one Socialist of any standing who advocates equality of compensation, and that is Bernard Shaw. For my part, I can see no way of making that succeed, unless the workers are to

be under military discipline and to go where they are ordered. The society which I am planning will be, above all, a free society, in which every man may choose his own employment and way of life.

King C. Gillette, the inventor of the safety razor, was an American business man who did his own thinking. He worked out Socialism for himself, and brought his plan to me, and was greatly distressed when I insisted that it was not original. He had his name for it, "Gillette's World Solution", and for his organization "The People's Corporation". It was to be a vast business body in which every worker was to own one share of stock and receive dividends thereon. Up to the last day of his life the dear old gentleman would be perfectly happy telling the details of this plan to any one who would listen. You could do nothing but listen, because he had become completely deaf, and your comments had to be written on a pad of paper.

I am reminded of him because he had worked out in such complete detail the system of compensation under socialized industry. "Mr. Sinclair", he would say, "it is purely a matter of mathematics; it could be attended to by a calculating machine, an automaton. The People's Corporation would have a huge bulletin board, and on that would appear the record of last week's production in a thousand different lines of activity. In the first column would appear the normal production—that is to say, the amount of shoes, steel, cement, etc., required per week. In the next column would appear the quantity produced in the previous week; in the next column the number of

workers necessary to produce that amount of goods; in the next column the price paid for the various grades of skilled and unskilled labor in that industry. The task of the calculating machine would be to adjust the wages offered for the following week, according to how many more workers or fewer workers were needed in each industry. If there were too many workers in the shoe industry, the amount of compensation would be reduced by one or two cents per hour, and an increase made in wages for steel making, or wherever there was increased demand. By this means the proper number of workers would be attracted into each industry, and every worker would make a free choice of where he cared to go."

Of course that is a fancy picture, for Mr. Gillette overlooked the fact that men have to be trained for each industry, and cannot always be trained in a week. There would be training schools in which men would fit themselves for any kind of work they desired to do, and the figures on the bulletin board would include the number admitted to such schools to be trained. The principle is correct, and happens to be exactly the one followed in capitalist society today—except that we do it blindly. If you are running a construction camp in Utah and need five hundred laborers, you telegraph to agencies in San Francisco and Los Angeles and other cities and you offer the price which you think will bring the men. The agencies put your offer on a bulletin board, and if not enough men come, you have to raise your price fifty cents a day, or whatever will bring them. Of course you can offer

shorter hours instead of higher wages, but that is another way of saying the same thing. There is no other way to distribute labor, unless you are going to send men regardless of their choice.

Of course, while men are working in an industry they will have to obey the orders of those in charge, just as they do today. Who is to be in charge? The Russians started off with factory self-government; each soviet of workers undertook to manage its own affairs, and very quickly it was discovered that this was no way to get efficiency; the central organizations had to take control and lay down rules and get production speeded up. Now it appears that they are ready for a larger share of local self-government. For example, the coöperative stores which served the great industries were suffering from too much centralization. The bureaucracy at headquarters didn't trouble to find out what the different factories needed, and they sent bathing suits to the Arctic regions and fur coats to the Crimea. So now each factory manages its own coöperative store. Recently, each factory was put in charge of the job of getting its own food supplies; and of course they have always managed their own hospitals, restaurants, creches, and clubs.

These are questions of detail, and will depend upon circumstances. We have seen in all parts of the civilized world the change from political autocracy to political democracy, and we have seen each nation working out its own political forms according to its own temperament. The French tolerate and seem to like a great deal of centralized authority. The British are independent, and

insist upon managing their own local affairs. Nations which have recently taken up democracy, like Spain, have found their path smoother, because others have made all the mistakes and proved the best ways. And now when we come to make a similar change in the field of industry, we shall see each people working out its own plan—and yet no people failing to learn something from what has happened in Russia.

Above all, we ought to learn from Russia the importance of making the change early enough, instead of waiting until the people have been driven to desperation by prolonged suffering. In the second place, we should learn the folly of alienating the technicians. The Russians couldn't help it, because the technicians belonged to the privileged classes, and few of them could be trusted. For this country I argue that we should pay the experts the highest salaries, even higher than they are getting from capitalism. I even say, pay the masters, and urge them to remain on as managers. I say, pay the bondholders, and bow them gracefully out. Let everybody be satisfied—because our productive capacities are so great that they are beyond believing, and when we get industry going at full speed, we shall all be so comfortable and have so much leisure that a few minutes longer in the factories will hardly mean anything.

We can also learn from the Russians how to combine productive labor with cultural activities. They have developed a marvelous system of schools in factories and factories in schools. They teach their children by having them do actual productive work. They teach their

workers by sending them to school during working hours and qualifying them for the higher grades of industry. They are building literally hundreds of enormous new industrial plants, and for this they need an unlimited supply of experts of every sort, and almost everybody in Russia is studying or training for something. They are learning by doing, which is the real way.

Every industry, every factory has its publication, its musical and theatrical organizations, its clubhouse and even its poet, or schools of poets. Twenty-seven years ago I discussed in "The Industrial Republic" the question of literature and art and other cultural activities under Socialism, and I told how these things would happen, and now here they are. Not merely do Russian factories engage in "Socialist competition", to see which can decrease costs and increase production during the coming year, but also they organize dramatic societies and send their performers to Moscow to take part in prize competitions.

When we seek an endowment for science or art in the United States, we have to go to some millionaire, and as a rule he sees to it that the work is done in the interest and according to the ideas of himself and his class. In Russia there are no millionaires, but there are abundant subsidies, not merely from the government but from all kinds of organizations. Literally thousands of geological expeditions are sent out searching for riches in every part of the vast Russian territory, and when discoveries are made they belong to the state. In the old days in our country such exploring was done by private individuals,

but now, for the most part, it is financed by great corporations and the profits belong to them.

It is the same with scientific research. Our great electrical and chemical corporations employ thousands of inventors and experimentors, and all these men get is their salaries; the patents belong to the corporations, and in a large proportion of cases the inventions are suppressed because they do not happen to serve the interests of that corporation at the moment. Quite recently it happened that I met a former official of the United States Patent Office, and seldom in my life have I realized more of the waste and the blind stupidities of our competitive system than while listening to this man's stories. I recall a saying of Robert Blatchford, which I have been carrying about in my head for more than half my life: "When six men go out into a field to catch a horse, it makes all the difference whether they spend their time catching the horse, or spend it keeping one another from catching the horse."

LETTER VIII

MY DEAR PERRY:

I now ask you to consider a few of the advantages of the new form of society which I am outlining.

My business, as you know, is that of a "muckraker". I have spent most of my days studying our many-headed hydra of graft and greed, and I have written a score of books on the subject, which I cannot even summarize here. Talking to a man in your position, I refer to those aspects of our system with which you come into daily contact. You would readily admit to me that there is a great deal of graft in private business. You would admit that salesmen get commissions; that executives are interested in private companies which make sales to their corporations; that executives and directors of companies get inside information and use it on the stock market. You would admit that big bankers and investment houses get a "cut" on new issues of stocks and bonds, and that holding companies and devices such as purchasing companies skim off the cream of the profits and deprive the stockholders of their rights. These things are true of other companies, even though they may not be true of your own.

If you were an architect, you would know about men who make deals with contractors and buy city officials and put up dishonest buildings. If you were a lawyer you

would know a thousand tricks of that trade, and of most others. If you were a doctor you would know about men who split fees and get commissions from manufacturers of patent medicines. If you were a judge you would know how you had to go for your appointment to a political boss, and how you had to pay that boss afterwards. So it would be all through our society, where, as I have said, men get rich by picking one another's pockets.

How would all this be remedied in a Socialist society? Well, in the first place there would be only one body to steal from, and that would be the state. It would be to everybody's interest to prevent that stealing. In the second place, everybody's income would be known and there would be no place to hide your stealings. I remember a West Point officer's wife saying to me that it was hard for an army officer to graft, because everybody knew how much money he was supposed to have. In the next place, there wouldn't be the same inducement to stealing, because jobs would be plentiful and pay would be liberal, but there would be no way of buying control of industry, and no form of speculation would be possible. You could never get the power to exploit anybody else, and as for getting what you needed for your pleasure, it would be much easier to earn the money than to steal it.

The great source of demoralization in our society is the fact that everybody is trying to get something for nothing; and the longer the capitalist system continues, the more dominating that impulse becomes, the more extravagant the abnormalities which it produces in the human soul. Our recent so-called prosperity was a mad

orgy of gambling, with bucket-shops operating in even the smallest towns all over this broad land. I remember reading a sentence by a popular sports writer which caught my attention. Said he: "The American people have larceny in their souls."

Our biggest thieves have been the most honored men in our society. Recently we have found out a few of them, but there are thousands of others who will never be found out. These men have looted to the extent of billions, and their treasures are safely hidden, and can only be taken from them by the collapse of the system. Meanwhile they live lives of ostentation; they travel in private cars and yachts, their speeches at banquets are reported, and their wives and daughters constitute our "best society". Everybody else is struggling to climb to their level. Everybody is trying to get money so as to live lives of splendor like them. That is what makes the orgy of graft in our society, and not any unusual depravity in our people. It is just that we put a greater strain upon human nature than it is able to bear.

But now suppose for a moment that we have built a world in which there is no exploitation, and no possibility of anybody's getting a dollar without performing some useful service in return for it. Everybody will be comfortable and nobody will be afraid of poverty, because there will be work for all and honest work will be respected. In such a society only a hopelessly perverted person would become a grafter, and such a person would belong not in a jail but in a sanitarium. In Russia they would stand him against a wall and shoot him; that is

because they are in the midst of a class war, and their discipline is military. Personally I have no interest in killing anybody, but am trying to understand human nature and how it works. I am fond of quoting the saying of Taine, that "vice and virtue are products like vinegar". I am a soul chemist, seeking the way to make useful and wholesome products and to avoid making the poisonous and deadly ones.

Every time I argue this question with a person of your class, he is interested until he finds that my remedy is government ownership. Then he begins to tell me how much graft there is in government, and he says there would be nothing but favoritism and bureaucracy. In reply I invite him to consider what is the source of graft. It was Lincoln Steffens who first pointed that out to me. Everywhere Steffens went in politics and interviewed grafters about their graft, he discovered that it was some private interest seeking to get something out of the public crib. Perhaps it was a franchise, perhaps a contract; whatever it might be, it was a seeker of private profit making a deal with a government official whereby the official sold us out to our exploiters. In other words, it was private business doing to government what private business is always doing to its rivals.

Imagine the Post Office department, for example. It is surrounded by business men trying to make profits from it: men who sell it transportation, men who sell it paper for stamps and post cards, men who sell it mail pouches and time clocks, and so on without limit. If the government took over the railroads, you would cut out the big-

gest root of graft in the Post Office department. If the government made paper, mail pouches, time clocks, etc., there would no longer be any graft. If every city made gas, electric light and power, and furnished transportation, and did its own paving work, buying the supplies from the Federal Government, there would be no graft in cities, and no private interests to corrupt our political parties, nominate our candidates, and take our government away from us.

The next complaint of business men concerning government is that it is inefficient; there is so much red tape and so little initiative. Well, the reason for the red tape is to protect us against business men. Whenever I sell a book to a county library, I am amused by the number of blanks I have to fill out, and the affidavits I have to make before I can get a check for \$1.50. But when I understand how many book salesmen there are hanging around a county library, I understand why our forefathers took these precautions.

The reason our government machinery runs so badly is because it is obsolete and neglected. All the big rewards in our society are paid to private industry, and the government services have to take what is left. If a young lawyer shows a special ability as a public prosecutor he receives an offer from a big law firm, or perhaps from a big lawbreaker whom he has failed to prosecute. And so it goes, all the way down the line.

There are some of our biggest business men who could tell you a lot about the inefficiency of government and just how it comes to be. They want the government in-

efficient because that way is safest for them. I remember my experience during the Colorado coal strike. I went to see the governor of the state to tell him about things I had witnessed in the coal fields. I have described in "The Brass Check" the man I met, an ignorant sheep-raiser, half-blind and feeble, who almost burst into tears when I pressed him for a decision on some urgent matters. I went away marveling that the people of that great state had chosen such a man for their chief executive. Very soon I found out that the coal companies controlled the political machine, and they had deliberately chosen that man, because they wanted to run the state, and preferred a man who would not be able to interfere with them even if he wanted to. From what I know of government in your home city, Perry, I believe that you could tell me stories of the same sort—if you were willing to trust a Socialist!

Big business is much bigger than our government, and it has ruled our government ever since the Civil War, and intends to go on ruling. The best energies of our people are put to work in the service of private interests. If we overthrow that vast machine, and if we, the people, really take control of our own affairs, we can buy the best of talent and can have our affairs competently administered. There isn't any reason in the world why we couldn't put in charge of our Steel Authority men as competent as the directors of the United States Steel Corporation. The difference would be that they would be hired by us to serve us, instead of being hired by a group of our exploiters, to keep us from having anything

to say about our own affairs, not merely industrial but political as well.

Under the system which I am proposing, industry would be serving us all, and it would be the first concern of all, and we should have to pitch in and do our best to make it succeed. It has happened frequently in our history that a private business man has entered the government service, and has taken seriously his oath of office and worked for the public for a small salary, just as earnestly as he previously worked for his personal enrichment. When I was a youth I remember we had John Wanamaker to run our Post Office department, and he took his public duty seriously, and lives in my memory because of one thing he said to a newspaper reporter. It was in the days when we were fighting to get the parcels post; we weren't allowed to have it, any more than today we are allowed to have checking accounts in our postal savings banks. Said the reporter: "Mr. Wanamaker, tell me what are the real objections to the parcels post?" Said Wanamaker: "There are three objections to the parcels post. The first is the Adams Express Company; the second is the American Express Company; and the third is the Wells-Fargo Express Company."

Of course, if you had gone to King Louis XVI of France, and suggested to him the idea that the people of France should take control of the government in their own country, and should all declare themselves citizens of that country upon an equal basis, with equal rights before the law and an equal vote in the election of a Parliament, King Louis XVI would have been absolutely cer-

tain that such a system could never work, and that the people of France could never govern themselves. It was a grandfather, Louis XIV, who had said, "I am the State," and the effect of this pronouncement was that the later Louis had his head cut off. I am not wishing any such fate to our captains of industry, our directors of U. S. Steel, American Telephone & Telegraph, and the rest of them. I am merely pointing to an historical example, as a means of reconciling these gentlemen to public ownership and democratic control of industry.

One of the problems which trouble our critics is how we are going to preserve initiative. This is a large question, Perry, and needs a good deal of answering. In the first place, we have to agree what we mean by "initiative". In the good old days of our forefathers there was much more individual initiative upon the high seas than there is now. Men would fit out a ship and go sailing, and when they came upon a merchant ship they would board her and loot her and make her crew walk the plank. That was known as piracy, and that form of initiative has been done away with in modern times.

Now there are similar forms of business initiative. There is the form known as "rigging the market", and my guess is that it won't be very long before that goes the same way as piracy. There is an infinite variety of ways of getting a part of the social product without rendering any service in return, and if I can have my way, all those forms of initiative will be outlawed and banished from the earth forever. I forgot which one of our Socialist writers it was who said that if one man gets some-

thing without producing it, some other man has produced that thing and failed to get it. Both these processes are incompatible with social justice, according to my idea.

There are other kinds of initiative which are socially useful, and which we shall do everything possible to preserve. I have mentioned how the Russians are fostering exploration and invention. These activities are of the utmost social importance, and we in the United States ought to see to it that every industry and every public enterprise maintains a research laboratory and offers prizes for inventions and suggestions for the improvement of processes.

I am aware of the tendency toward stagnation in government offices. You know in your own corporation how you have to watch out for slackness, and there is no escaping the need of this watchfulness; it is part of the process of keeping alive. What we have to do is to educate and train a new generation with ideals of public service. We shall have to have what the Russians call "shock troops", to get new jobs done quickly and efficiently. We shall have to have "Socialist competition", and give prizes and medals, trips abroad and scholarships in colleges or as inventors—whatever kind of honor we find most stimulating to the imaginations of our young people.

After all, our government is not wholly corrupt, and we have some ideals of public service. Is there a lawyer in your town, Perry, no matter how big the fees he may be getting from the corporations, who would turn down a job as Justice of the United States Supreme Court? Is there an executive in your factory who would turn down

a position in Roosevelt's cabinet, even at one-tenth the salary? And surely you must know that there are surgeons, artists, writers, scientists, who do not work entirely for money, but for the love of their job and the service they can render to mankind. Don't you suppose that Albert Einstein could get much larger sums of money if he placed his mathematical brain at the service of some big corporation?

Yes, it is possible to build up ideals of public service, and to teach our young people to work hard and live simply and seek for distinction in ways that are useful and constructive. It would be easier to spread these ideals if we did not have a horde of parasites at the top of our society. You know the people I mean, Perry; I have heard you express no great admiration for their way of life. What, perhaps, you have not realized is the extent to which they corrupt our society by the display they are able to make and the false standards they set before the young.

What men seek is power. They want to express their personalities and exercise their faculties. In our business world, power is money. If you have money, you can give orders and get things done. And so, naturally, men of the executive type seek money. If we should contrive another basis of power, if there were another way to get things done, men would seek that. In Russia, for example, Stalin gets things done, yet he has only the maximum salary allowed to members of the Communist party, something like \$150 a month. What rules in Russia is party politics, and Stalin is general secretary of the party.

In a Socialist society, such as I am proposing, power will be granted by public consent. In order to get power, men would have to convince the public that they knew how to bring to pass those things which the public desires. At present the public appears to be satisfied with President Roosevelt—they are giving him his six months. If he does not do the job, they will find somebody else, and my guess is that they won't choose him because he is worth a billion dollars, but because he promises to put an end to the control of our affairs by the owners of vast sums of money seeking to increase their hold over the rest of us.

LETTER IX

MY DEAR PERRY:

I would not have you think that I am claiming originality for all these ideas. This is Marxian science, and it is considerably older than I am. I have not emphasized the label because, as it happens, Marx was a German, and I thought we would get along better in American. But sooner or later we in this country are going to have to deal with both Socialists and Communists, so it will be the part of wisdom for you to know about them.

The goals of Socialism and of Communism are the same: a classless society, in which the means of production and distribution are collectively owned and democratically administered, and nowhere in the world is a man exploited by his fellows. The sharp differences between the two groups have to do with tactics, the means whereby the goal is to be attained.

From the point of view of the Communists, I am a "Social Fascist". They are polite about applying the name to me personally, because they admit that my heart is right, even though my head is weak; besides, my books have all been translated by the Russian Government, and some three millions of them have been sold, and the profits have been sufficient to build a printing plant. Nevertheless, according to the strict doctrine, I remain a Social Fascist. I write letters to millionaire exploiters, and

this is not merely a waste of time, but misleads the workers, causing them to believe that there is some chance of gaining concessions from the master class; whereas the dogma is that the master class will fight as a unit to preserve its privileges, and in the end will overthrow our political democracy and set up an open dictatorship of the capitalist class, instead of the disguised dictatorship we have at present.

These rigid doctrines originated in Europe, where the class lines are more tightly drawn than in this country. Since formulas are easy to learn and distinctions hard to make, the Marxians tend to apply their doctrines uniformly throughout the world, and refuse to see any distinctions between European capitalism, which has developed out of feudalism, and American capitalism, developed out of a pioneer democracy.

It was Marx's expectation that Socialism would come first in the most highly evolved industrial countries. Huge trusts would arise, and in these the masses of the workers would be exploited by absentee owners, and they would realize their common interests—"Workers of the world unite; you have nothing to lose but your chains, you have a world to gain." The workers would overthrow the masters, seize the factories, and operate them as collective property.

Where Marx slipped up was in failing to foresee the invention by the master class of new and elaborate methods of wholesale killing. He had as his model revolutions in France, where it was possible for the workers to take up pikes and pitchforks, throw up barricades of cobble-

stones, and overwhelm by numbers the trained soldiers of the king. But the soldiers of our modern kings of capital are armed with machine guns and poison gas bombs, and have armored cars and aëroplanes whereby they can be rushed to any part of a city or state. Trained troops can overwhelm workers of a hundred times their number; they have proved this, and are ready to prove it as often as necessary. So it comes about that in all our great industrial countries, the masses of the people remain helpless victims of a system of exploitation which in the past ten years has reduced real wages by more than half while multiplying profits by more than two; and which now condemns half the working population in every industrial country to permanent semi-starvation. Economists and philosophers observe this state of affairs and marvel that it can continue.

Russia was not a modern industrial state, but a feudal autocracy with a few factories. In the midst of destructive war, the machinery of government broke down, and the workers, soldiers, and peasants got their chance to turn out their masters and set up their own dictatorship. They have been able to hold power for nearly sixteen years, and this has given encouragement to that wing of the working-class movement which believes that the exploiting classes must be overthrown by force. Under Russian auspices, there has been established the Communist or Third International, an organization of left-wing parties pledged to bring about the change by the Russian method in every country of the world, and to solve the problem of world government by alliance of these victorious par-

ties. "The international army shall be the human race."

I have many Communist friends, and of course have arguments with them. They consider me an old fogey, and become impatient when I insist that the English-speaking countries have a different tradition from Russia, and that this is bound to affect the way in which we get rid of our capitalism.

In Russia there was a small middle-class, and it was practically without political influence or experience. When the revolution came, this middle-class took power, but was able to hold it for only a few months. Its parliament was broken up by the workers and soldiers under the leadership of the Bolsheviks. But in the United States the middle-class dominates all the thinking of the country. Even the majority of our capitalists remain middle-class in their feelings, and the majority of the workers are the same; their incomes in the past have permitted it, and their hopes and expectations remain middle-class even in the midst of depression.

Foreigners touring America ask me questions about this great and strange country. They want to know why we have no labor movement as in Europe; and I tell them one little story, which covers the whole case and leaves no more need of questions. For many years my wife, who loves a garden, worked at making one with the help of two boys who used to come after school hours and on Saturdays. These boys came out of working-class homes, and were going to public schools and acquiring the psychology there officially imparted. My wife, curious about

this, used to ask them questions, and incidentally would try to explain to them about Socialism, and their own interests as members of the working-class. For the most part her efforts were without success; for ten years or so these boys remained perfectly satisfied young American patriots. They both bought second-hand Ford cars out of their earnings as gardeners; and one day one of them remarked to my wife: "Mrs. Sinclair, it is a crime the way the rich people in this city drive cars. They don't pay any attention to the traffic signals. They just drive right through." Said my wife, with a touch of mischief, "Why don't you follow them and have one of them arrested?" She expected the boy to answer that they would just tear up the ticket; and this would give her an opportunity to get in a touch of Socialism. But instead the boy replied: "No, I don't want to have them arrested; when I grow up I am going to be rich too, and then I can drive as I please."

Of course, young America is no longer quite so sure that it is going to be rich. The psychology is changing rapidly, but even so, ours remains a middle-class country, confident that it will solve its own problems in its own way, without any help from either Rooshians or Prooshians. Already we have the American Legion—or I should say that *you* have it, Perry. You know what you are going to do with it, and you are practicing, both in your part of the country and in mine.

It happened that I was walking up and down in front of my home yesterday evening, thinking over this letter which I meant to write; when up the street came a large

automobile with headlights gleaming, and drew up in front of me with a toot of the horn, and who should be in it but your father. He was "boiling", so he told me; he had just been to a meeting held in the auditorium of the Polytechnic High School of Los Angeles, for the purpose of advocating the recognition of Soviet Russia. This meeting had been called by American citizens, who had obtained the use of the school building for the purpose, as under the laws of the State of California they have an unquestionable right to do.

The police have been in the habit of breaking up such meetings. They have a so-called "red squad", which takes its orders from our Better America Federation, a group of local business men and bankers who manage our affairs. Our American Civil Liberties Union had applied to the Federal courts and obtained an injunction forbidding the "red squad" to break up meetings, and so now the "red squad" stays in the background, and instead comes a band of unofficial patriots, who invade this auditorium where a thousand men and women are assembled to exercise their political rights and petition the President of the United States in a matter of great public urgency. These patriots first turn out the lights, leaving the auditorium in darkness, and they then begin to bellow that no meeting will be permitted, and they keep this up for nearly an hour. In the meantime the police, whose salaries we pay in order that they may protect us, stand by and permit this outrage. Finally the captain of the "red squad" comes upon the platform and declares that no

meeting will be permitted, and orders the audience to go home.

That is the way we are governed in Los Angeles, Perry; and do you wonder that I have a rather difficult time persuading the Communists that there is any difference between modern America and tsarist Russia, or that the workers stand a chance of exercising their political rights and making a peaceful change of the social system? In fact, Perry, you and your "red squad" make me appear something of a fool.

I say *your* "red squad", although you live three thousand miles away from Los Angeles, and probably never contributed anything to the secret funds of the Better America Federation. But you have the same kind of organization in your city, and you have an equally corrupt political machine. You voted for Hoover in 1928, so you told me, and your father tells me that a few months ago you put the seal of your approval upon Hoover's four years by contributing to the campaign fund which was supposed to reelect him. And all through those four years Hoover did exactly the same sort of thing that I am here protesting against.

He witnessed the operation of a cosmic economic force, whereby our entire working-class was deprived of all the benefits of prosperity and ground down to destitution and serfdom. Hoover watched it happen month after month, and did nothing but lie about it, systematically and continuously. For three cruel years, having the whole power of the United States Government in his hands, he never

moved a finger to help the workers, but reserved all his charity for the great bankers and corporation gamblers, some of whom are now refugees in foreign lands, while others are indicted criminals on the way to jail. When the starving bonus men came to Washington—men who had come forward to help our country in the hour of need and who were now expected to crawl into holes and die silently—Hoover sent out against them the forces of the United States army, and used bayonets and rifles and gas bombs against veterans and their wives and babies.

So stands the record, Perry, and it is easy to understand why my Communist friends will have no great enthusiasm for this series of letters, and find it hard to forgive me for pleading with you or trying to enlighten you. But I think of your father, Perry, and how he was "boiling" last night. I know how tomorrow he will be helping the Civil Liberties Union, doing all that one man can do to protest against the suppression of our civil rights.

I think of another elderly gentleman of my acquaintance in Los Angeles, who ever since I have known him has been tirelessly struggling for what he calls "fundamental democracy", giving freely of his wealth to organizations over the country which are seeking to educate the public. I think of my friend Gillette, who sat for hours every day, using up thousands of lead pencils writing notes about a just society, and who published book after book for which he could get no circulation, and who died sad and sorrowing, because he saw mankind drifting into the rapids of revolution, blind and deaf to his warnings.

In the course of my writing life I have been in correspondence with thousands of men and women throughout the United States, business and professional people who have seen the light of social justice and wish to help spread it. Some of these people have grown discouraged, but others are sticking to the task, contributing their money and their time.

Yes, and I point out to my impatient Communist friends that most of the gods in their Pantheon, Marx and Engels and even Lenin, were men of middle-class origin and lived middle-class lives. I point out that their Bolshevik movement was supported by the donations of several rich men. I could tell you of Communists here in the United States who, when their publications are on the verge of bankruptcy, go to wealthy sympathizers to beg for funds, and who, when they are arrested, are glad to be bailed out by these same capitalists. Surely there is ample precedent for appealing to the brains and consciences of the rich.

I shall hardly succeed in making a revolutionist of you, Perry, but I may be able to persuade you to understand a little better, and to be less determined in your support of capitalist imperialism. Each of us has to do his part in his own way, and wherever there is more understanding and sympathy, there we can diminish cruelty and oppression. It may even be that when the final crisis comes, and it is a question, for example, whether we are going to help Fascist Europe in an invasion of the Soviet Union, or to hire the American Legion and provide them with black shirts or brown shirts or blue shirts, and send them in to

put an end to our democratic institutions—perhaps then a little more understanding on the part of you and your associates might turn the scales and avoid civil war. I don't know and nobody knows exactly how it will come, but such crises lie before us and such decisions must be made.

Vested privilege has had its way in our country for so long that we have come to think of Americanism and capitalism as synonymous. Corrupt and stupid men such as Harding and Coolidge and Hoover turned our country over entirely to the control of wealth, and our big business manipulators felt secure in their right to rule. But I point out to you, Perry, that there is an older America, rarely mentioned in our school books and pretty well forgotten by our Fourth of July orators. It has been so well forgotten that when I attempted to read the Bill of Rights, which is part of the Constitution of the United States, standing on private property at the harbor of Los Angeles, and having the written permission of the owner to stand there, the police of Los Angeles kidnapped me, and carried me into hiding and kept me "incommunicado" for eighteen hours.

But still the old America survives in the hearts of some of us, and every now and then it starts into life, to the dismay of our established authorities. There is the America of Thomas Jefferson, who wrote: "The tree of liberty must be refreshed from time to time with the blood of patriots and tyrants. It is its natural manure." There is the America of Abraham Lincoln, who wrote that "whenever the people are not satisfied with their government

they can exercise their constitutional right to change it or their revolutionary right to overthrow it."

I point out to you also, Perry, that even in the midst of our pioneer individualism there were Americans who dreamed of an ordered society based upon justice. We had our Brook Farm and a score of other colonies nearly a hundred years ago. We had our native Socialist movement, with leaders such as Albert Brisbane and Horace Greeley and Wendell Phillips and Frances Willard and Edward Bellamy—and so on down to Gene Debs and Jack London. All these were native Americans, who spoke our language, and the only reason they are not understood is that their words so seldom reach the people. The great press is in the hands of the exploiting classes, and so also are radio, moving pictures, political parties, all the channels of information and the machinery of action. Even so, the message is being spread and the mind of America is changing.

I maintain that there is no greater perversion in history than the identification of Americanism with capitalism. It is true that capitalism stands for liberty of a sort—the liberty to prey, to gamble, and to exploit. But these are very old kinds of liberty in the world, and America did not have to discover them. We are seeking to establish and to protect a new kind of liberty, to serve and to be at peace and to enjoy the fruits of one's own labor. Who shall say that such things are incompatible with the American spirit?

We are seeking to do in the realm of economics exactly what our ancestors did in the realm of politics. They

found themselves subjects of an hereditary ruler, and they asserted their right to become free and equal citizens of a republic. They took that right by force and maintained it. And now we of the present generation find ourselves subjects of an exploiting class, which inherits and maintains its right to live in idleness upon the fruits of our toil. We intend to overthrow autocracy in industry and to establish an industrial republic. We plead with our rulers to permit this change, and if they consent, well and good. If, on the other hand, there has to be a new Lexington, a new Bunker Hill, a new Valley Forge, a new Yorktown in our history, we shall know how to behave.

Addressing our present owners and masters of industry, I point out to them another historic precedent. From far back in our affairs wise statesmen advocated the abolition of chattel slavery. Thomas Jefferson contended for it, even though himself a slave-owner. A far-sighted Southern statesman, Henry Clay, argued for the ending of slavery by means of purchase. There were some four million slaves at that time, and they were reckoned to be worth a thousand dollars apiece, which made four billion dollars, a staggering sum for those days. The advice of the great compromiser was not heeded; both slaveholders and abolitionists hardened their hearts, and we fought a dreadful civil war, which cost us several times four billion dollars, and in addition a million lives, the flower of our manhood. We set the slaves free, but incidentally we laid waste the South, and kindled fires of prejudice and passion which still smoulder, and some day

may flame into war between whites and blacks in the South.

Now appears another group of peace-lovers, pleading for wisdom and brotherhood in the face of another grave wrong. If you, Perry, and our masters of industry reject the advice I am giving here, you will have another civil war. You will have it just as certain as sunrise, if you and your dupes of the American Legion and your hirelings of the police continue to behave as you behaved in Los Angeles last night. In that civil war millions of lives may be lost and the greater part of our industrial plant may be destroyed. It may last a year, ten years, a generation. It may be a prolonged nightmare, like the religious wars which laid waste Germany; like those seven plagues which descended upon Egypt, when "Pharaoh hardened his heart and would not let the people go."

And all because you and your class have not the intelligence to see that the old system is broken down and that a new birth of freedom is due throughout the world. We offer you a new way of life, in which any normal man can find happiness and peace. No matter how rich you may be, and how well satisfied with your world, you will be better off and a better man in a coöperative commonwealth. You build up your enormous business machine, and lay by stores of wealth, and think you have made your children and your grandchildren safe. But in this world of blind competition no one can be safe, and we have an old motto, "three generations from shirt-sleeves to shirt-sleeves", to prove it. Business rivals may take your plant, incompetent or dishonest managers may wreck it,

panics and hard times, war and revolution may bring even you to want in your old age. When I told you these things four years ago, you smiled at me; but now you do not smile, and there is not so much smiling among men of your class.

You have to make the decision quickly, because things move fast in America; that is the penalty we pay for "progress". We cannot stall along as England has been doing, keeping the unemployed barely alive, and seeing conditions grow worse over a period of fifteen years. In our world there will be such a breakdown, that the decision will be a matter of days. We have half our workers now idle, and the next crisis may see three-quarters of them on the streets. Our railroads will be about to stop, and some one will have to keep them going. History will force us to choose.

We do not ask you to undergo any martyrdoms, Perry, or to indulge in any heroics. We ask you to use common sense, ordinary business judgment, and realize how preposterous and unthinkable it is to keep this vast business machine of ours in idleness any longer. We propose that you surrender your privileges as a profit-maker, and accept in return your rights as a citizen of industry. We undertake to demonstrate to you that these rights will mean more to you, in security, enjoyment, and the exercise of your faculties, than any of the privileges which you have won in the competitive struggle. We ask you to join with us in putting aside hatred and bringing about justice, not merely as a legal formula, a theme for Fourth of July harangues, but as a reality in everyday business and

political affairs. Let us have access to those factories of yours, and let us work in them as long as necessary, and let every one who works in them receive the full value of what he produces, a thing which competent economists can calculate and which the conscience of all mankind will ratify and write into laws and traditions. Is it altogether a Utopian dream, that once in history a ruling class might be willing to make the great surrender, and permit social change to come about without hatred, turmoil, and waste of human life?

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